



**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, 2017**



Simpson & Simpson, LLP  
Certified Public Accountants

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

**TABLE OF CONTENTS**

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



U.S. BANK TOWER  
633 WEST 5TH STREET, SUITE 3320  
LOS ANGELES, CA 90071  
(213) 736-6664 TELEPHONE  
(213) 736-6692 FAX  
www.simpsonandsimpsoncpas.com

SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS  
BRAINARD C. SIMPSON, CPA  
MELBA W. SIMPSON, CPA

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MEASURE 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 forty-nine (49) Cities and the County of Los Angeles 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 (collectively, 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, 2017 (collectively, the Requirements). Compliance with the above noted Guidelines and Requirements by the Cities and the County are identified in the accompanying Summary of Compliance Findings, Schedule 1 and Schedule 2.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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





### ***Opinion***

In our opinion, the Cities and the County complied, in all material respects, with the Guidelines and Requirements referred to above that could have a direct and material effect on the Measure R Local Return program 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 Requirements and which are described in the accompanying Summary of Measure R Audit Results (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2017-001 through #2017-015. Our opinion is not modified with respect to these matters.

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

### ***Report on Internal Control Over Compliance***

The management of each City and the County is responsible for establishing and maintaining effective internal control over compliance with the Guidelines and Requirements referred to above. In planning and performing our audits of compliance, we considered each City's and the County's internal control over compliance with the Guidelines and Requirements that could have a direct and material effect on the Measure 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 Guidelines and Requirements, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of each City's and the County's internal control over compliance.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, 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 under the Guidelines and Requirements 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 under the Guidelines and Requirements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Finding #2017-007 to be a material weakness.



A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines and 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 as Findings #2017-005 and #2017-015 to be significant deficiencies.

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

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

A handwritten signature in cursive script that reads "Simpson &amp; Simpson".

Los Angeles, California  
December 28, 2017

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Compliance Findings  
Fiscal Year Ended June 30, 2017**

The audit of the 49 cities and the County identified in Schedule 1 have resulted in 15 findings. The table below shows a summary of the findings:

<b>Finding</b>	<b># of Findings</b>	<b>Responsible Cities/ Finding Reference</b>	<b>Questioned Costs</b>	<b>Resolved During the Audit</b>
Funds were expended for transportation purposes	2	Downey (#2017-005) Lakewood (#2017-007)	\$ 22,609 6,197	\$ - -
Funds were expended without LACMTA's approval	5	La Cañada Flintridge (#2017-006) Palmdale (#2017-008) Rancho Palos Verdes (#2017-010) Rolling Hills Estates (#2017-011) Whittier (#2017-015)	13,260 1,906,020 169,952 101,536 59,052	13,260 1,906,020 169,952 101,536 59,052
Expenditure Report (Form One) was not submitted on time	6	Avalon (#2017-002) Bradbury (#2017-004) Palos Verdes Estates (#2017-009) San Marino (#2017-012) South Pasadena (#2017-013) Temple City (#2017-014)	None	None
Expenditure Report (Form Two) was not submitted on time	1	Artesia (#2017-001)	None	None
Timely Use of Funds	1	Bradbury (#2017-003)	3,990	3,990
<b>Total Findings and Questioned Costs</b>	<b>15</b>		<b>\$ 2,282,616</b>	<b>\$ 2,253,810</b>

Details of the findings are in Schedule 2.

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2017**

<b>Compliance Area Tested</b>	<b>Alhambra</b>	<b>Arcadia</b>	<b>Artesia</b>
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	See Finding #2017-001
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2017  
(Continued)**

<b>Compliance Area Tested</b>	<b>Avalon</b>	<b>Bellflower</b>	<b>Bradbury</b>
Funds were expended for transportation purposes	Compliant	Compliant	Not Applicable
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Not Applicable
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Not Applicable
Expenditure Plan (Form One) was submitted on time.	See Finding #2017-002	Compliant	See Finding #2017-004
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	See Finding #2017-003
Administrative expenditures are within the 20% cap.	Compliant	Compliant	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable



**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2017  
(Continued)**

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

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2017  
(Continued)**

<b>Compliance Area Tested</b>	<b>Covina</b>	<b>Diamond Bar</b>	<b>Downey</b>
Funds were expended for transportation purposes	Compliant	Compliant	See Finding #2017-005
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	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
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2017  
(Continued)**

<b>Compliance Area Tested</b>	<b>Duarte</b>	<b>El Segundo</b>	<b>Glendale</b>
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	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
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Compliant	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2017  
(Continued)**

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

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2017  
(Continued)**

<b>Compliance Area Tested</b>	<b>La Cañada Flintridge</b>	<b>La Habra Heights</b>	<b>La Mirada</b>
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	See Finding #2017-006	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2017  
(Continued)**

<b>Compliance Area Tested</b>	<b>La Verne</b>	<b>Lakewood</b>	<b>Lancaster</b>
Funds were expended for transportation purposes	Compliant	See Finding #2017-007	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	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
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2017  
(Continued)**

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

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2017  
(Continued)**

<b>Compliance Area Tested</b>	<b>Los Angeles County</b>	<b>Manhattan Beach</b>	<b>Monrovia</b>
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	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
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable



**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2017  
(Continued)**

<b>Compliance Area Tested</b>	<b>Norwalk</b>	<b>Palmdale</b>	<b>Palos Verdes Estates</b>
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	See Finding #2017-008	Compliant
Expenditure Plan (Form One) was submitted on time.	Compliant	Compliant	See Finding #2017-009
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Compliant	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2017  
(Continued)**

<b>Compliance Area Tested</b>	<b>Paramount</b>	<b>Pasadena</b>	<b>Rancho Palos Verdes</b>
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	See Finding #2017-010
Expenditure Plan (Form One) was submitted on time.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2017  
(Continued)**

<b>Compliance Area Tested</b>	<b>Redondo Beach</b>	<b>Rolling Hills</b>	<b>Rolling Hills Estates</b>
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	See Finding #2017-011
Expenditure Plan (Form One) was submitted on time.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2017  
(Continued)**

<b>Compliance Area Tested</b>	<b>San Dimas</b>	<b>San Gabriel</b>	<b>San Marino</b>
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time.	Compliant	Compliant	See Finding #2017-012
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2017  
(Continued)**

<b>Compliance Area Tested</b>	<b>Santa Clarita</b>	<b>Sierra Madre</b>	<b>Signal Hill</b>
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	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
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2017  
(Continued)**

<b>Compliance Area Tested</b>	<b>South Pasadena</b>	<b>Temple City</b>	<b>Torrance</b>
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time.	See Finding #2017-013	See Finding #2017-014	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Not Applicable	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2017  
(Continued)**

<b>Compliance Area Tested</b>	<b>West Covina</b>	<b>Whittier</b>
Funds were expended for transportation purposes	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	See Finding #2017-015
Expenditure Plan (Form One) was submitted on time.	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant
Timely use of funds	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2017**

<b>Finding #2017-001</b>	<b>City of Artesia</b>
Compliance Reference	According to Measure R Guidelines, Section B (II.2), "Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15 <sup>th</sup> deadline for submission of Form Two. However, the City submitted the Form Two to LACMTA on November 15, 2017.
Cause	There was a transition period between the Interim Director of Administrative Services and the Acting Finance Manager, which caused deadlines to be overlooked.
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 15th deadline and that the City retain a confirmation of receipt by LACMTA to comply with the Guidelines.
Management's Response	The City had previously relied on consultants to submit required forms. As a result of LACMTA audit findings, the City will now assign LACMTA forms to designated, in-house personnel to ensure submittal deadlines are met. Submittal deadlines will be tracked using a citywide shared calendar with alerts and reminders of upcoming submittals.



**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2017  
(Continued)**

<b>Finding #2017-002</b>	<b>City of Avalon</b>
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II), "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."
Condition	The City did not submit the Expenditure Plan (Form One) to LACMTA by August 1, 2016. However, on August 8, 2016, the city submitted the Expenditure Plan (Form one) to LACMTA.
Cause	The City was unaware that the Expenditure Plan (Form One) was not submitted, until August 8, 2017. Once the City realized they had missed the deadline, they submitted the Form One to LACMTA.
Effect	The City's Expenditure Plan (Form One) was not submitted to LACMTA by August 1st, as required by the Guidelines.
Recommendation	We recommend that the City establish internal control procedures to ensure that the Expenditure Plan (Form One) is properly prepared and submitted prior to the August 1st deadline, and that the City retain a confirmation of receipt by LACMTA to comply with the Guidelines.
Management's Response	The City has hired and assigned a staff person who has established new procedures to ensure internal controls are in place to meet the required reporting deadlines and proper record retention.

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2017  
(Continued)**

<b>Finding #2017-003</b>	<b>City of Bradbury</b>
Compliance Reference	According to Measure R Local Return Guidelines, Section III (Timely use of funds), funds must be expended within five years of the first day of the fiscal year in which funds were originally allocated or received.
Condition	A portion of the City's fiscal year 2012 ending fund balance in the amount of \$3,990 was not fully expended within 5 years as of June 30, 2017 and it was not reserved for capital projects as required by Local Return guidelines. However, on November 16, 2017, LACMTA granted the City an extension on the usage of lapsed funds until June 30, 2018.
Cause	There was a lack of timely review of the available funding to be spent for Measure R. In addition, the City noted that one project was scaled back during the year, which resulted in the lapsing of funds.
Effect	Untimely review of the funding status from the prior year allocation could result in losing the funding.
Recommendation	In order to avoid future lapsed funds, we recommend the City establish a policy and process where the City Manager and Finance Director discuss the availability of the Local Return funds in conjunction with any eligible MRLRF projects and submit Form One (Expenditure Plan) to LACMTA, if needed.
Management's Response	The City had budgeted \$52,548 for the Woodlyn Lane Rehab Project that ended up being scaled back causing a lapse of funds.
Finding Corrected During the Audit	On November 16, 2017, LACMTA subsequently approved an extension on the usage of lapsed funds until June 30, 2018.

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2017  
(Continued)**

<b>Finding #2017-004</b>	<b>City of Bradbury</b>
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II), "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."
Condition	The City did not meet the August 1, 2016 deadline for submission of Form One. However, the City submitted the Form One to LACMTA on August 10, 2016.
Cause	The condition was due to oversight of the City's management.
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 1st so that the City's Measure R expenditures will be in accordance with LACMTA's approval and Measure R guidelines.
Management's Response	This item has been calendared by the finance director to prevent an untimely submission in the future.

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2017  
(Continued)**

<b>Finding #2017-005</b>	<b>City of Downey</b>
Compliance Reference	<p>According to Measure R Local Return Guidelines, Section A.I, “The Measure R Ordinance specifies that Local Return funds are to be used for transportation purposes. No net revenue distributed to Jurisdictions may be used for purposes other than transportation purposes.” and Section B.VII, “It is the Jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of audit prescribed in these guidelines.” In addition, LACMTA Local Return Program Manager issued a memo dated on April 29, 2014 to jurisdictions to provide recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines, those recommendations are “that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.” Also, “(4) Where employees work on multiple activities or cost objectives, a distribution or their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</p> <p>(b) A Federal award and non-Federal award.</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p>(b) They must reflect an after the fact distribution of the actual activity of each employee,</p> <p>(f) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised as least quarterly, if necessary, to reflect changed circumstances.”</p>

**Los Angeles County Metropolitan Transportation Authority  
 Measure R Local Return Fund  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2017  
 (Continued)**

<b>Finding #2017-005 (Continued)</b>	<b>City of Downey</b>
Condition	<p>To support the propriety of expenditures being charged to Measure R Local Return Fund, payroll expenditures should be supported by properly executed payrolls, time records, activity reports, vouchers, or other official documentation evidencing in proper detail the nature of the charges. However, the salaries and benefits charged to Public Works Executive Management Salary Project Code 8.10 in the amount of \$22,609 was based on an estimate of a percentage of time spent on MRLRF activity rather than the employee’s actual working hours spent on the project. Although the City provided a time study listing the employees charged to MRLRF, the payroll costs and benefits were based on estimated percentages of the time spent on the projects. Moreover, the hours were not adjusted to reflect the “true” hours worked on the projects at the end of the fiscal year 2016-17.</p> <p>This is a repeat finding from the prior fiscal year.</p>
Cause	<p>The allocated administrative charges were based on a time study performed by the City in fiscal year ended 2011-12. The same percentage allocations have been used in prior fiscal years and in fiscal year 2016-17.</p>
Effect	<p>The payroll costs claimed under the Measure R Local Return Fund project may include expenditures which may not be allowable Measure R project expenditures. This resulted in questioned costs of \$22,609.</p>
Recommendation	<p>In accordance with the Guidelines, we recommend that the City reimburse its Measure R Local Return Fund account for \$22,609. In addition, we recommend that the City revise its current labor costs reporting procedures to ensure that labor costs charged to Local Return Funds are adequately supported by time sheets or similar documentation which includes employees’ actual working hours.</p>
Management’s Response	<p>The salary allocations to all City funds were estimates based on activity by position. Although the analysis has been carried forward, the City believed that the allocations were relevant today as when the study was completed. The City has recently completed a cost allocation study in which has been shared with LACMTA and is still under review by management.</p>

**Los Angeles County Metropolitan Transportation Authority**  
**Measure R Local Return Fund**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2017**  
**(Continued)**

<b>Finding #2017-006</b>	<b>City of La Cañada Flintridge</b>
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.4), “New, amended, ongoing and carryover projects must file an Expenditure Plan Form One by August 1st . If Local Return Funds have been expended prior to LACMTA approval and/or used for ineligible purposes, Jurisdictions will be required to reimburse the Local Return account...”
Condition	The City incurred expenditures prior to receiving approval from LACMTA for MRLRF’s Project Code 1.20, Installation of Flashing Beacons at Crosswalk, in the amount of \$13,260. However, the project was subsequently approved on October 5, 2017.
Cause	The MRLRF’s Project Code 1.20, Installation of Flashing Beacons at Crosswalk, was approved by LACMTA in fiscal year 2015-16. The City anticipated that the project will be completed in fiscal year 2015-16. However, it was not completed until fiscal year 2016-17 and the City mistakenly did not include in Form One as a carryover project. It was an oversight due to the transition of the staff responsibilities for Local Return reporting. The City applied for, and received, subsequent approval on October 5, 2017.
Effect	The City did not comply with the Guidelines when expenditures for Measure R projects are incurred before LACMTA’s approval.
Recommendation	We recommend that the City establish controls to ensure that it obtains approval from LACMTA prior to implementing Measure R projects.
Management’s Response	The City has added a review of capital project status, including LACMTA approvals, prior to carryover to the next fiscal year in order to prevent the omission of reporting carryover projects in Form One from occurring in the future.
Finding Corrected During the Audit	LACMTA Program Manager granted retroactive approval of the said expenditures on October 5, 2017.

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2017  
(Continued)**

<b>Finding #2017-007</b>	<b>City of Lakewood</b>
Compliance Reference	<p>According to Measure R Local Return Guidelines, Section A.I, “The Measure R Ordinance specifies that Local Return funds are to be used for transportation purposes. No net revenue distributed to Jurisdictions may be used for purposes other than transportation purposes.” and Section B.VII, “It is the Jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of audit prescribed in these guidelines.” In addition, LACMTA Local Return Program Manager issued a memo dated April 29, 2014 to jurisdiction to provide recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Returns Guidelines, those recommendations are “that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.” Also, “(4) Where employees work on multiple activities or cost objectives, a distribution or their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</p> <p>(b) A Federal award and non-Federal award.</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p>(b) They must reflect an after the fact distribution of the actual activity of each employee,</p> <p>(f) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distribution based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.”</p>

**Los Angeles County Metropolitan Transportation Authority  
 Measure R Local Return Fund  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2017  
 (Continued)**

<b>Finding #2017-007 (Continued)</b>	<b>City of Lakewood</b>
Condition	To support the propriety of expenditures being charged to Measure R Local Return Fund, payroll should be supported by properly executed payrolls, time records, activity reports, vouchers or other documentation evidencing in proper detail the nature of the charges. However, the salaries and benefits charged to Direct Administration Project Code 8.10 amounting to \$ 6,197 were based on distribution percentages determined before the services were performed. Moreover, the hours were not adjusted to reflect the “true” hours worked on the projects at the end of the fiscal year 2016-17.
Cause	The City’s budget and allocation of payroll to LACMTA funds are based on prior year’s actual time spent working on LACMTA projects and programs.
Effect	The payroll costs claimed under the Measure R Local Return Fund project may include expenditures which may not be allowable. This resulted in questioned costs of \$6,197 for MRLRF.
Recommendation	In accordance with the Guidelines, we recommend that the City reimburse its Measure R Local Return Fund account for \$6,197. In addition, we recommend that the City revise its current labor costs reporting procedures to ensure that labor costs charged to Local Return Funds are adequately supported by time sheets or similar documentation which includes employees’ actual working hours.
Management’s Response	Beginning fiscal year ended 2017-18 and forward, the City is implementing the “true-up” process where the payroll amounts are based on prior years’ experience and at the end of each quarter, the Senior Accountant will process a “true-up” of the payroll based on actual hours worked on the MRLRF projects.



**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2017  
(Continued)**

<b>Finding #2017-008</b>	<b>City of Palmdale</b>
Compliance Requirement	According to Measure R Local Return Guidelines, Section B (II.1), "Form One provides a listing of projects funded with Measure R Local Return Funds along with estimated expenditures for the year" and "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	<p>During the fiscal year ended June 30, 2017, the City expended \$1,906,020 prior to LACMTA approval. The funds were expended on eligible Measure R Local Return projects, but the City did not include this project on its Expenditure Plan (Form One) as required by the guidelines. Expenditures incurred prior to LACMTA approval during the fiscal year are as follows:</p> <ul style="list-style-type: none"> <li>a) Project Code 1.20, HSIP Roundabout S8 &amp; 40th East in the amount of \$2,400 (new project)</li> <li>b) Project Code 2.03, Ave R and 55th Street in the amount of \$20,008 (new project)</li> <li>c) Project Code 1.30, Ave S Widen 30th St. East in the amount of \$1,883,612 (on-going capital project)</li> </ul> <p>However, on October 27, 2017, the city obtained subsequent approval for the expenditures from LACMTA.</p>
Cause	Management was not aware that on-going projects that were approved in prior fiscal years need to be included on the Annual Expenditure Plan (Form One) each fiscal year.
Effect	Because the City did not include these project cost on their Annual Expenditure Plan (Form One), the City did not comply with Measure R Local Return Fund guidelines and did not obtain proper approval for the project expenditures.
Recommendation	We recommend that the City implement a process to ensure that all "new and on-going" project are properly included on the Annual Expenditure Plan (Form One) to obtain approval for all proposed expenditures, as per the Measure R Local Return Fund guidelines.
Management's Response	The City has procedures in place to ensure that we update the forms submitted to LACMTA and obtain approval for all project expenditures when the City Council approves the final budget in early June. However, during the current fiscal year, there was a timing difference between the Form One submittal date and when the projects were approved by City Council; as a result, they were not included on the form. This was a one-time incident that will not occur going forward.

**Los Angeles County Metropolitan Transportation Authority**  
**Measure R Local Return Fund**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2017**  
**(Continued)**

<b>Finding #2017-008</b> <b>(Continued)</b>	<b>City of Palmdale</b>
Findings Corrected During the Audit	On October 27, 2017, the City obtained subsequent approval for the expenditures from the LACMTA program manager.

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2017  
(Continued)**

<b>Finding #2017-009</b>	<b>City of Palos Verdes Estates</b>
Compliance Requirement	According to Measure R Local Return Guidelines, Section B (II), "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"
Condition	The City did not submit the Expenditure Plan (Form One) to LACMTA by August 1, 2016. However, on August 25, 2016, the City submitted the Expenditure Plan (Form One) to LACMTA.
Cause	The City's finance department has experienced staff turnover; therefore, the Form One was not submitted timely.
Effect	The City's Expenditure Plan (Form One) was not submitted to LACMTA by August 1st, as required by the Guidelines.
Recommendation	We recommend that the City establish internal control procedures to ensure that the Expenditure Plan (Form One) is properly prepared and submitted prior to the August 1st deadline, and that the City retain a confirmation of receipt by LACMTA to comply with the Guidelines.
Management's Response	The City's finance department has experienced staff turnover; therefore, the Form One was not submitted timely. Management will ensure that the Form One is submitted timely going forward.

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2017  
(Continued)**

<b>Finding #2017-010</b>	<b>City of Rancho Palos Verdes</b>
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.1), "Form One provides a listing of projects funded with Measure R Local Return Funds along with estimated expenditures for the year" and "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 the fiscal year ended June 30, 2017, the City expended \$169,952 on Right-of-way road maintenance prior to LACMTA approval. The funds were expended on eligible Measure R Local Return projects, but the City did not include this project on its Expenditure Plan (Form One) as required by the guidelines.
Cause	The City did not include this project on their Annual Expenditure Plan (Form One) as required by the guidelines.
Effect	Because the City did not include these project cost on their Annual Expenditure Plan (Form One), the City did not comply with Measure R Local Return Fund guidelines and did not obtain proper approval for the project expenditures.
Recommendation	We recommend that the City implement a process to ensure that all projects are properly included on the Annual Expenditure Plan (Form One) to obtain approval for all proposed expenditures, as per the Measure R Local Return Fund guidelines.
Management's Response	The City will implement a process to ensure that all proposed projects are included on the Form One as per the guidelines, or the City will obtain approved for the expenditures prior to June 30.
Finding Corrected During the Audit	On December 11, 2017, the City obtained subsequent approval for the expenditures from the LACMTA program manager.

**Los Angeles County Metropolitan Transportation Authority**  
**Measure R Local Return Fund**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2017**  
**(Continued)**

<b>Finding #2017-011</b>	<b>City of Rolling Hills Estates</b>
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.1), "Form One provides a listing of projects funded with Measure R Local Return Funds along with estimated expenditures for the year" and "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 the fiscal year ended June 30, 2017, the City expended \$101,536 of Measure R Local Return Funds on traffic signal improvements that were approved by the LACMTA during the fiscal year ended June 30, 2016. The amount expended during the current fiscal year was the remaining portion of the approved budget that was not expended during the fiscal year ended June 30, 2016. However, the City did not include this carry-over project on its Expenditure Plan (Form One) as required by the guidelines. As such, the funds were expended prior to LACMTA approval.
Cause	Since the City was not requesting an increase of budget for this project and had already received approval to expend the funds for these traffic signal improvements in the prior year, the City was unaware that they needed to include this carry-over project on the Expenditure Plan (Form One).
Effect	Because these allowable project costs were not properly included on the Expenditure Plan (Form One), the expenditures made for traffic signal improvements during the fiscal year ended June 30, 2017, were incurred prior to LACMTA approval.
Recommendation	We recommend that the City implement internal control procedures to ensure that all carry-over projects that the city has received approval for in prior years are properly listed and coded on the Expenditure Plan (Form One) for approval as per the Guidelines.
Management's Response	The City staff obtained approval for these expenditures during fiscal year 2016 but were unaware that they needed to be included on the Form One for approval again for fiscal year 2017. Management now understands that carryover projects must be included on Form One for approval and has included a note in the file to that effect.
Finding Corrected During the Audit	On November 27, 2017, the city received subsequent approval for the expenditures incurred.

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2017  
(Continued)**

<b>Finding #2017-012</b>	<b>City of San Marino</b>
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II), "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."
Condition	The City did not meet the August 1, 2016 deadline for submission of Form One. However, the City submitted the Form One on August 15, 2016.
Cause	The City employee responsible for the submission of the form missed the deadline set by LACMTA due to 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 1st 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 that the City retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner.
Management's Response	The City of San Marino began a transition in financial management following the departure of its long-term Finance Director in June 2016 and the City's Public Works Director's departure three months later. Subsequent to these events, the City has employed various interim personnel for accounting and executive positions. The failure to complete Form One in a timely manner is not, from the context and perspective of hindsight, an unexpected event, however unfortunate. The City recently hired a permanent Public Works Director and is in the planning stages for permanent replacement hiring pertaining to accounting and executive management positions, and thus believes that faithful compliance with LACMTA rules and regulations will be restored.

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2017  
(Continued)**

<b>Finding #2017-013</b>	<b>City of South Pasadena</b>
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II), "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."
Condition	The City did not meet the August 1, 2016 deadline for submission of the Form One. However, the City submitted the Form One on August 8, 2016.
Cause	The Form One for fiscal year 2016, instead of, for fiscal year 2017, was submitted by the City to LACMTA on August 1, 2016. The proper fiscal year 2017 Form One was submitted to LACMTA when the error was discovered on August 8, 2016.
Effect	The City's Form One was not submitted timely.
Recommendation	We recommend that the City establish procedures to ensure that the Form One is properly prepared and submitted before the due date of August 1st 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 that the City retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner.
Management's Response	In the future, the City's staff will ensure that the Form One for the proper fiscal year will be submitted to LACMTA in a timely manner.

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2017  
(Continued)**

<b>Finding #2017-014</b>	<b>City of Temple City</b>
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II), "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."
Condition	The City did not meet the August 1, 2016 deadline for submission of Form One. The City submitted the Form One on August 6, 2016.
Cause	There were last minute MRLRF projects that were being considered by the City to be included during the preparation of Form One. As a result, the form was submitted late.
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 1st 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 that the City retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner.
Management's Response	In the future, the staff will be managed more closely on the submission of the form in a timely manner.



**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2017  
(Continued)**

<b>Finding #2017-015</b>	<b>City of Whittier</b>
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 LACMTA's approval."
Condition	<p>The City incurred expenditures prior to receiving approval from LACMTA for MRLRF's Project Code 1.05 Comstock Avenue Widening Project in the amount of \$59,052. However, the project was subsequently approved by LACMTA on December 12, 2017.</p> <p>This is a repeat finding from the prior fiscal year.</p>
Cause	The City staff believed that prior year's budget approval would be carried forward in the fiscal year 2016-17 and therefore, did not include the request for the project's approval in Form One submitted to LACMTA.
Effect	The City did not comply with the Guidelines when expenditures for MRLRF project are incurred without LACMTA's approval.
Recommendation	We recommend that the City establish controls to ensure that it obtains approval from LACMTA prior to implementing Measure R Local Return projects. Also, we recommend that the Form One is properly prepared by the City and includes all new and ongoing projects.
Management's Response	The City program staff will ensure all projects for the upcoming year are included in filing of Form One.
Finding Corrected During the Audit	LACMTA Program Manager granted a retroactive approval on MRLRF's Project Code 1.05, Comstock Avenue Widening Project, on December 12, 2017.