

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

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

## TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE	1
Summary of Compliance Findings	3
Schedule 1 – Summary of Measure R Audit Results	4
Schedule 2 – Schedule of Findings and Questioned Costs	21

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

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

**Compliance**

We have audited the compliance of the Cities identified in Schedule 1, with the types of compliance requirements described in the Measure R Ordinance enacted through a Los Angeles County (the County) voter approved law in November 2008; Measure R Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (LACMTA), approved by its Board of Directors on October 22, 2009 (the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure R Local Return Funds, executed by LACMTA and the respective Cities and the County for the year ended June 30, 2012 (collectively the Requirements). Compliance with the above noted Requirements by the Cities are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the Requirements is the responsibility of the respective Cities' management. Our responsibility is to express opinions on the Cities' compliance based on our audits.

We conducted our audits of compliance in accordance with the Guidelines, auditing standards generally accepted in the United States of America and the standards 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 compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions. Our audits do not provide a legal determination of each City's compliance with those requirements.

In our opinion, the Cities complied, in all material respects, with the requirements referred to above that are applicable to the Measure R Local Return program for the year ended June 30, 2012. However, the results of our auditing procedures disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with the Guidelines and which are described in the accompanying Summary of Compliance Findings, Schedule 1 and Schedule 2 as Finding Numbers 1 through 11.



## Internal Control Over Compliance

The management of each City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal, state and local programs. In planning and performing our audits, we considered each City's internal control over compliance with the requirements that could have a direct and material effect on the Measure R Local Return program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Requirements, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of each City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance under the Requirements on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance under the Requirements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Summary of Compliance Findings, Schedule 1 and Schedule 2 as Finding Number 7 (Redondo Beach) to be a material weakness.

Responses by the Cities to the findings identified in our audits are described in the accompanying Schedule 2 - Schedule of findings and questioned costs. We did not audit the Cities' responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the LACMTA, the management, City Councils and others within each City and is not intended to be and should not be used by anyone other than these specified parties.

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

Los Angeles, California  
December 28, 2012

### Summary of Compliance Findings

The audits of the 49 cities have resulted in 11 findings. The table below shows a summary of the findings:

Finding	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs
Revenues received, including allocations and interest income, were not properly recorded in Measure R Local Return Account.	2	Avalon (# 1), Redondo Beach (# 7)	\$ 7,900
Funds were expended without LACMTA's approval.	3	San Dimas (# 8), San Marino (# 9), Torrance (# 10)	565,506
Form One (Expenditure Plan) was not submitted timely.	3	Avalon (# 2), Cerritos (# 3), Duarte (# 4)	0
Form Two (Expenditure Report) was not submitted timely.	2	Lomita (# 5), Pasadena (# 6)	0
Administrative costs were not accumulated and reported in a separate "Transportation Administration" project code.	1	West Covina (# 11)	0
Total Findings and Questioned Costs	11		\$ 573,406

Details of the findings can be found in Schedule 2.

**Los Angeles County Metropolitan Transit Authority  
Summary of Measure R Audit Results  
Fiscal Year Ended June 30, 2012**

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

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2012**  
**(Continued)**

Compliance Area Tested	Avalon	Bellflower	Bradbury
Funds were expended for transportation purposes.	Compliant	Compliant	Not applicable
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant	Compliant	Not applicable
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	<b>Finding 1</b>	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Compliant	Not applicable
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Not applicable
Timely submission of Expenditure Plan (Form One)	<b>Finding 2</b>	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Not applicable
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Not applicable
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable



**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2012**  
**(Continued)**

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

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2012**  
**(Continued)**

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

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2012**  
**(Continued)**

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

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2012**  
**(Continued)**

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

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2012**  
**(Continued)**

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

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2012**  
**(Continued)**

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

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2012**  
**(Continued)**

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

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2012**  
**(Continued)**

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



**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2012**  
**(Continued)**

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

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2012**  
**(Continued)**

Compliance Area Tested	Pasadena	Rancho Palos Verdes	Redondo Beach
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	<b>Finding 7</b>
Verification that funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	<b>Finding 6</b>	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2012**  
**(Continued)**

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

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2012**  
**(Continued)**

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

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2012**  
**(Continued)**

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

**Los Angeles County Metropolitan Transit Authority  
Summary of Measure R Audit Results  
Fiscal Year Ended June 30, 2012  
(Continued)**

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

**Los Angeles County Metropolitan Transit Authority  
Summary of Measure R Audit Results  
Fiscal Year Ended June 30, 2012  
(Continued)**

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

**Los Angeles County Metropolitan Transit Authority  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2012**

<b>Finding 1</b>	<b>City of Avalon</b>
Compliance Reference	Section B(VI) of the Measure R Local Return Program Guidelines states that "...LACMTA will allow Jurisdiction's to pool Measure R LR funds in order to obtain maximum return on investments. Such investment earnings must be reported and expended consistent with these guidelines...."
Condition	The City has not allocated the appropriate share of interest earned by its Measure R Fund as of June 30, 2012. Therefore, the Form Two submitted by the City to LACMTA did not include interest income earned by Measure R funds.
Cause	The City indicated that its outside auditor computes the allocation of interest income to the various funds.
Effect	Form Two (Expenditure Report) submitted by the City for FY 2012 did not include the interest earned by Measure R funds for the year. The estimated interest due to the Measure R Local Return account is \$1,900.
Recommendation	We recommend for the City to calculate interest in a timely manner so that the Form Two submitted to LACMTA properly includes the interest earned by its Measure R Local Return funds.
Management Response	We agree that the interest was not posted in a timely fashion. We will calculate the interest, which may be a lower amount than what the auditor estimated, and book the adjustment prior to the finalization of our CAFR in mid January 2013.



**Los Angeles County Metropolitan Transit Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2012**  
**(Continued)**

<b>Finding 2</b>	<b>City of Avalon</b>
Compliance Reference	Section B(II)(1) of the Measure R Local Return Program Guidelines states that "...Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year...."
Condition	The City submitted its Form One on August 15, 2011 which is beyond the due date set under the Guidelines.
Cause	The City indicated that it had difficulty opening the form sent by LACMTA.
Effect	Form One was not submitted timely as required by the Guidelines.
Recommendation	We recommend for the City to communicate any issues encountered to LACMTA timely so any reporting issues are addressed immediately prior to the due date set in the Guidelines.
Management Response	The City will make sure to file the Measure R report in a timely fashion. The Director of Finance will contact LACMTA and ask that they send to her the form or cc her when the form is transmitted so she can ensure that the report is filed timely.

**Los Angeles County Metropolitan Transit Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2012**  
**(Continued)**

<b>Finding 3</b>	<b>City of Cerritos</b>
Compliance Reference	Section B(II)(1) of the Measure R Local Return Program Guidelines states that "...Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year...."
Condition	The City submitted its Form One on August 2, 2011 which is beyond the due date set under the Guidelines.
Cause	The City lacks adequate procedures and controls to ensure that Form One is filed on time.
Effect	Form One (Expenditure Plan) was not submitted timely as required by the Guidelines.
Recommendation	We recommend for the City to establish procedures and controls to ensure that Form One is submitted by August 1 as required by the Guidelines.
Management Response	<p>The City has established policies and procedures regarding the filing of reports with the Regulatory Authorities. However, due to a one-time discrepancy the report was filed late.</p> <p>In future years, the City will continue to adhere to the established policies regarding the filing of reports on a timely basis with the appropriate Regulatory Authorities.</p>

**Los Angeles County Metropolitan Transit Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2012**  
**(Continued)**

<b>Finding 4</b>	<b>City of Duarte</b>
Compliance Reference	Section B(II)(1) of the Measure R Local Return Program Guidelines states that "...Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year...."
Condition	The City submitted its Form One on August 16 which is beyond the due date set under the Guidelines.
Cause	The City lacks adequate procedures and controls to ensure that Form One is filed on time.
Effect	Form One (Expenditure Plan) was not submitted timely as required by the Guidelines.
Recommendation	We recommend for the City to establish procedures and controls to ensure that Form One (Expenditure Plan) is submitted by August 1 as required by the Guidelines.
Management Response	We have made administrative changes and reassigned responsibility for Measure R to additional staff. We now have several people who can perform the required steps in the Measure R process. This eliminates the reliance on one single individual to perform all the functions. Now we have cross trained and created accountability. We have also created a timeline displaying when required reports are due so we can 'look ahead' and plan accordingly to execute requirements on time.

**Los Angeles County Metropolitan Transit Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2012**  
**(Continued)**

<b>Finding 5</b>	<b>City of Lomita</b>
Compliance Reference	Section B(II)(2) of the Measure R Local Return Program Guidelines states that "...Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15 <sup>th</sup> (following the conclusion of the fiscal year)...."
Condition	The City submitted its Form Two on October 18 which is beyond the due date set under the Guidelines.
Cause	The City lacks adequate procedures and controls to ensure that Form Two is filed on time.
Effect	Form Two (Expenditure Report) was not submitted timely.
Recommendation	We recommend for the City to establish procedures and controls to ensure that Form Two is submitted by October 15 as required by the Guidelines.
Management Response	The City of Lomita will implement procedures that will ensure that Form Two will be completed and submitted on or before October 15 as required by the Guidelines.

**Los Angeles County Metropolitan Transit Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2012  
 (Continued)**

<b>Finding 6</b>	<b>City of Pasadena</b>
Compliance Reference	Section B(II)(2) of the Measure R Local Return Program Guidelines states that "...Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15 <sup>th</sup> (following the conclusion of the fiscal year)...."
Condition	The City submitted its Form Two on November 15 which is beyond the due date set under the Guidelines.
Cause	The City lacks adequate procedures to ensure that Form Two is filed on time.
Effect	Form Two (Expenditure Report) was not submitted timely.
Recommendation	We recommend for the City to establish procedures and controls to ensure that Form Two is submitted by October 15 as required by the Guidelines.
Management Response	The date the actual Form Two was submitted to LACMTA Program Manager was November 15. We misunderstood and didn't realize that an actual Form Two needed to be submitted by October 15. Going forward, we will make sure to meet the deadline and submit actual Form Two by October 15.

**Los Angeles County Metropolitan Transit Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2012**  
**(Continued)**

<b>Finding 7</b>	<b>City of Redondo Beach</b>
Compliance Reference	Section B(VI) of the Measure R Local Return Program Guidelines states that "...LACMTA will allow Jurisdiction's to pool Measure R LR funds in order to obtain maximum return on investments. Such investment earnings must be reported and expended consistent with these guidelines...."
Condition	<p>The City did not allocate the appropriate share of interest earned by its Measure R Fund as of June 30, 2012. Therefore, the Form Two submitted by the City to LACMTA did not include interest income earned by Measure R funds.</p> <p>This is a repeat finding from the FY 2011 audit.</p>
Cause	The City has not implemented controls to ensure that funds included in pooled investments get their share of interest earnings.
Effect	Form Two (Expenditure Report) submitted by the City for FY 2012 did not report interest income earned by Measure R funds. Based on the average yield of investments by the City, we estimate the interest due to the Measure R Fund for FY 2012 to be \$6,000.
Recommendation	We recommend for the City to comply with the Guidelines and transfer the interest earnings earned by the Measure R funds in fiscal years 2011 and 2012 to the Measure R LR Fund.
Management Response	The City will calculate the interest earned from fiscal years 2011 and 2012 and record it to the City general ledger as a prior period adjustment in the current fiscal year 2013. Moving forward, the City will avoid any such findings in the future.

**Los Angeles County Metropolitan Transit Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2012**  
**(Continued)**

<b>Finding 8</b>	<b>City of San Dimas</b>
Compliance Reference	<p>Section B(II)(1) of the Measure R Local Return Program Guidelines states that "...LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan containing the following: 1. The estimated total cost for each project and/or program activity ...."</p> <p>To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year.</p>
Condition	The City claimed expenditures for Knollwood Lane Street Construction totaling \$48,611 with no prior approval from LACMTA. Although we found the expenditures to be eligible for Measure R funding, the said project had no prior approval from LACMTA.
Cause	The City was not aware that a new Form One needs to be submitted for each new project prior to implementation.
Effect	The City claimed expenditures totaling \$48,611 where it had no prior approval from LACMTA and therefore, the City did not comply with the Guidelines.
Recommendation	We recommend for the City to obtain approval from LACMTA prior to implementing any Measure R-funded project.
Management Response	This project code 1.90 was originally approved in fiscal year 2010-2011 for \$125,000. The project continued in fiscal year 2011-12 with additional expenditures of \$50,100. There was confusion as to which form we needed to process to have the additional funds approved. The project was listed on Form Two showing the actual expenditures for the year and submitted to LACMTA and part of the annual reporting. It was later realized that it should have been sent for approval on Form One for Measure R. We contacted LACMTA to be sure we provide the correct forms for approval and the LACMTA Program Manager informed me of the correct form to use. The item was re-submitted and LACMTA Program Manager retro-actively approved the expenditures. In the future we will make sure the expenditures being requested are reported in the proper form.
Finding Corrected During the Audit	LACMTA Program Manager granted a retroactive approval of the said project on November 30, 2012. No additional follow up is required.

**Los Angeles County Metropolitan Transit Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2012  
 (Continued)**

<b>Finding 9</b>	<b>City of San Marino</b>
Compliance Reference	<p>Section B(II)(1) of the Measure R Local Return Program Guidelines states that "...LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan containing the following: 1. The estimated total cost for each project and/or program activity ...."</p> <p>To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year.</p>
Condition	<p>The City claimed expenditures for various contractual services totaling \$147,214 with no prior approval from LACMTA. The City only received approval from LACMTA in FY 2012 for 2 Street Maintenance Personnel for \$50,484 but did not include approval for other projects. Although we found the expenditures to be eligible for Measure R funding, the said project had no prior approval from LACMTA.</p>
Cause	<p>The City does not appear to be aware that a new Form One needs to be submitted for each new project prior to implementation.</p>
Effect	<p>The City claimed expenditures totaling \$147,214 without prior approval from LACMTA, and therefore, the City did not comply with the Guidelines.</p>
Recommendation	<p>We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to implementing any Measure R-funded projects.</p>
Management Response	<p>The City has corresponded with the LACMTA Program Manager, who has indicated that she is able to give the City retroactive approval if the City submits a revised Form One for 2012. The City has submitted the revised Form One and is awaiting her approval.</p> <p>In the future, the City will submit Form One's for each carryover at the beginning of the year, in addition to the newly funded projects.</p>
Finding Corrected During the Audit	<p>LACMTA Program Manager granted a retroactive approval of the said project on November 26, 2012. No additional follow up is required.</p>



**Los Angeles County Metropolitan Transit Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2012  
 (Continued)**

<b>Finding 10</b>	<b>City of Torrance</b>
Compliance Reference	<p>Section B(II)(1) of the Measure R Local Return Program Guidelines states that "...LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan containing the following: 1. The estimated total cost for each project and/or program activity ...."</p> <p>To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year.</p>
Condition	<p>The City claimed expenditures for a project named: Citywide Sidewalk Ramping/Grinding Project totaling \$369,681 with no prior approval from LACMTA. Although we found the expenditures to be eligible for Measure R funding, the said project had no prior approval from LACMTA.</p>
Cause	<p>This is the City's first project funded by Measure R Local Return and the City was not aware that a new Form One needs to be submitted for each new project prior to implementation.</p>
Effect	<p>The City claimed expenditures totaling \$369,681 without prior approval from LACMTA, and therefore, the City did not comply with the Guidelines.</p>
Recommendation	<p>We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to implementing any Measure R-funded projects.</p>
Management Response	<p>Torrance submitted its FY2011-12 Expenditure Plan (Form One) on August 1, 2011. No projects were reported on that Form One. Subsequently, the Torrance City Council approved the I-109, Citywide Sidewalk Ramping/Grinding Program project on August 16, 2011. Consequently, the City listed the I-109, Citywide Sidewalk Ramping/Grinding Program project in the FY2012-13 Expenditure Plan (Form One) and submitted it on August 1, 2012. The City believes this reporting complied with the Measure R Local Return guidelines.</p> <p>The City acknowledges the Auditors' concern that funds were expended, "prior" to LACMTA approval. However, we also believe the Measure R Local Return guidelines Section B (II) are ambiguous and were not clear about directing a jurisdiction to submit an Expenditure Plan (Form One) for a newly-added project, other than on the Expenditure Plan (Form One) due August 1<sup>st</sup>. In</p>

**Los Angeles County Metropolitan Transit Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2012**  
**(Continued)**

Management Response (continued)	summary, the City now understands it shall not expend Measure R Local Return funds on a project unless said project is listed on an Expenditure Plan (Form One) AND it has also received LACMTA approval, prior to expending funds.
Finding Corrected During the Audit	LACMTA Program Manager granted a retroactive approval of the said project on October 8, 2012. No additional follow up is required.

**Los Angeles County Metropolitan Transit Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2012**  
**(Continued)**

<b>Finding 11</b>	<b>City of West Covina</b>
Compliance Reference	Section B(II)(2) of the Measure R Local Return Program Guidelines states that "...Jurisdictions are required to specify administration charges to Direct Administration in order to verify compliance of the 20% cap on administration costs..." Expenditures for administrative costs associated with and incurred for Measure R eligible projects/programs are charged to Transportation Administration project code.
Condition	While the City complied with the 20% direct administration costs cap, our audit showed that the City did not accumulate and report direct administration costs in a Transportation Administration project code as required by the Guidelines. Direct administration costs incurred on Measure R projects such as salaries, benefits and overhead costs totaling \$143,971 were spread out in various non-administration project codes, which made it difficult to verify compliance with the 20% administration cap.
Cause	The implementation of the City's plan to report all administrative costs in a separate project code did not take effect until FY 2013.
Effect	The City did not comply with the Guidelines relating to the proper reporting of direct administration charges.
Recommendation	We recommend for the City to comply with the Guidelines and report administration charges in a separate project code.
Management Response	Historically, the City of West Covina has not had an LACMTA approved project number 480 and, consequently, all administrative costs were included in the various project totals. Upon receiving correspondence from LACMTA regarding the 2010/2011 audit report, staff inquired of LACMTA staff on how to proceed to implement a project number 480. LACMTA staff suggested that the reclassifications necessary to implement this change be done in FY 2012/2013 via Forms One and Two for Measure R (and Forms A & B for Proposition A and Proposition C) rather than in FY 2011/2012. Project number 480 was established in FY 2012/2013. The City did not exceed its administrative cap during the 2011/2012 fiscal year and has provided supporting documentation to the auditors.

