

**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, 2012



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

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

Compliance

We have audited the compliance of the Cities and the County identified in Schedule 1, with the types of compliance requirements described in the Measure R Ordinance enacted through a Los Angeles County 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 (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 (Requirements). Compliance with the above noted Requirements by the Cities and the County 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' and the County's management. Our responsibility is to express an opinion on the Cities' and the County's compliance based on our audit.

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 and the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions. Our audits do not provide a legal determination of each City's or the County's compliance with those requirements.

In our opinion, the Cities and the County 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 13.



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Internal Control Over Compliance

The management of each City and the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal, state, and local programs. In planning and performing our audits, we considered each City's and the County's internal control over compliance with the requirements that could have a direct and material effect on the Measure R Local Return program 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 the Cities' and the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance under the Requirements on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance under the Requirements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Responses by the Cities to the findings identified in our audits are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit each City's 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, the City Councils, and others within each City and the County and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "Stimpson & Stimpson", is located below the text.

Los Angeles, California
December 21, 2012

Summary of Compliance Findings

The audit of the 38 Cities and the County of Los Angeles has resulted in 13 findings. The table below shows a summary of the findings:

Finding	# of Findings	Responsible Cities/ Finding Reference	Questioned Costs
No adequate evidence that funds were expended for transportation purposes	1	Pico Rivera (#12)	\$ 1,230
Funds were expended without LACMTA's approval	4	Huntington Park (#6) Lawndale (#8) Maywood (#10) Rosemead (#13)	8,282 194,000 20,000 364,950
Form One (Expenditure Plan) was not submitted timely	5	Azusa (#1) Cudahy (#4) Huntington Park (#7) Lawndale (#9) Montebello (#11)	None
Form Two (Expenditure Report) was not submitted timely	2	Bell Gardens (#2) Compton (#3)	None
Administrative expenditures claimed exceeded the 20% admin cap under the Guidelines	1	El Monte (#5)	8,456
Total Findings and Questioned Cost	13		\$ 596,918

Details of the findings can be found in Schedule 2.

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
For the Fiscal Year Ended June 30, 2012

SCHEDULE 1

Compliance Area Tested	Agoura Hills	Azusa	Baldwin Park
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings 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, and interest income were properly credited to Measure R account	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 Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant		Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

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

SCHEDULE 1

Compliance Area Tested	Bell	Bell Gardens	Beverly Hills
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings 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, and interest income were properly credited to Measure R account	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 Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant		Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

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

SCHEDULE 1

Compliance Area Tested	Calabasas	Carson	Commerce
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings 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, and interest income were properly credited to Measure R account	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 Understandings	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 expenditures did not exceed 20% of the total annual LR expenditures	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

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

SCHEDULE 1

Compliance Area Tested	Compton	Cudahy	Culver City
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings 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, and interest income were properly credited to Measure R account	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 Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant		Compliant
Timely submission of Expenditure Report (Form Two)		Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

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

SCHEDULE 1

Compliance Area Tested	El Monte	Gardena	Hawthorne
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings 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, and interest income were properly credited to Measure R account	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 Understandings	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 expenditures did not exceed 20% of the total annual LR expenditures		Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

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

SCHEDULE 1

Compliance Area Tested	Hidden Hills	Huntington Park	City of Industry
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings 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, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	Compliant		Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant		Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

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

SCHEDULE 1

Compliance Area Tested	Inglewood	Irwindale	La Puente
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings 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, and interest income were properly credited to Measure R account	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 Understandings	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 expenditures did not exceed 20% of the total annual LR expenditures	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

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

SCHEDULE 1

Compliance Area Tested	Lawndale	Los Angeles County	Lynwood
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings 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, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval		Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)		Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
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Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

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

SCHEDULE 1

Compliance Area Tested	Malibu	Maywood	Montebello
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings 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, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	Compliant		Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

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

SCHEDULE 1

Compliance Area Tested	Monterey Park	Pico Rivera	Pomona
Funds were expended for transportation purposes	Compliant		Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings 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, and interest income were properly credited to Measure R account	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 Understandings	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 expenditures did not exceed 20% of the total annual LR expenditures	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

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

SCHEDULE 1

Compliance Area Tested	Rosemead	San Fernando	Santa Fe Springs
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings 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, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval		Compliant	Compliant
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Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Compliant

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

SCHEDULE 1

Compliance Area Tested	Santa Monica	South El Monte	South Gate
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings 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, and interest income were properly credited to Measure R account	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 Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
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Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

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

SCHEDULE 1

Compliance Area Tested	Walnut	West Hollywood	Westlake Village
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings 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, and interest income were properly credited to Measure R account	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 Understandings	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 expenditures did not exceed 20% of the total annual LR expenditures	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

**LACMTA Consolidated Audit
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SCHEDULE 2

Finding 1	City of Azusa
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.1), "Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, on or before August 1st of each fiscal year."
Condition	The City did not meet the August 1, 2011 deadline for submission of Form One. However, the City submitted the Form One on August 30, 2011.
Cause	The City was not aware of the importance of submitting Form One to meet the compliance requirements of Measure R Local Return guidelines.
Effect	The City's Form One was not submitted timely.
Recommendation	We recommend that the City establish procedures to ensure that the Form One (Expenditure Plan) is properly prepared and submitted before the due date of August 1 st so that the City's expenditures of the Measure R Local Return Funds will be in accordance with LACMTA's approval and the guidelines. 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	Personnel have been advised on the importance of filing of Form One timely.

**LACMTA Consolidated Audit
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(Continued)**

SCHEDULE 2

Finding 2	City of Bell Gardens
Compliance Reference	According to Measure R Local Return 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, 2011 deadline for submission of Form Two. However, the City submitted the Form Two to LACMTA on October 20, 2011.
Cause	The City was not aware of the importance of submitting Form Two to meet the compliance requirements of the Measure R Local Return guidelines.
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 will ensure that the form is submitted by the required timeline. Fiscal year 2011-12 Form Two has been submitted by the required due date.

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

SCHEDULE 2

Finding 3	City of Compton
Compliance Reference	According to Measure R Local Return 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, 2011 deadline for submission of Form Two (Expenditure Report). However, the City submitted the Form Two to LACMTA on December 12, 2011.
Cause	The City was not aware of the importance of submitting Form Two to meet the compliance requirements of the Measure R Local Return guidelines.
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	Due to the City's large downsizing, key personnel was let go in August 2011. The submission had to be done by the City's Controller's Office. In an effort to submit a correct form, revisions had to be made which resulted to late submission of Measure R's Form Two.

**LACMTA Consolidated Audit
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(Continued)**

SCHEDULE 2

Finding 4	City of Cudahy
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.1), "Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, on or before August 1st of each fiscal year."
Condition	The City did not meet the August 1, 2011 deadline for submission of an Expenditure Plan (Form One). However, the City submitted the Form One to LACMTA on August 3, 2011.
Cause	The City was not aware of the importance of submitting of Form One to meet the compliance requirements of Measure R Local Return guidelines.
Effect	The City's Form One was not submitted timely.
Recommendation	We recommend that the City establish procedures to ensure that the Expenditure Plan (Form One) is properly prepared and submitted on August 1 deadline and the City retain a confirmation of receipt by LACMTA to comply with the guidelines.
Management's Response	City of Cudahy will make sure all the deadlines will be met in fiscal year 2012-13.

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

SCHEDULE 2

Finding 5	City of El Monte
Compliance Reference	According to Measure R Local Return Guidelines, Section A (II.8), “The administrative expenditures for any year shall not exceed twenty percent (20%) of the total LR annual expenditures.”
Condition	The City’s administrative expenditures exceeded the twenty percent cap of its total Measure R Local Return annual expenditures by \$8,456.
Cause	The City recorded a prior period adjustment for the fiscal year 2011 in the amount of \$45,488 which was originally recorded as fiscal year 2012 expenditures. Prior to the adjustment, the administrative expense was twenty percent of the total annual expenditures. However, after the adjustment of reducing the current fiscal year’s expenditures, the administrative expenses exceeded twenty percent of its total Measure R Local Return annual expenditures.
Effect	The City’s Measure R Local Return fund administrative expenditures exceeded 20 percent of its total local return annual expenditures and the City did not comply with the Guidelines. Amount exceeded 20 percent cap resulted in questioned costs of \$8,456.
Recommendation	In accordance with the Guidelines, we recommend that the City reimburse its Measure R Local Return account \$8,456. In addition, we recommend that the City establish procedures to ensure that expenditures are reported in the correct fiscal year and administrative expenditures are within the 20% cap of the MRLRF’s total annual expenditures.
Management’s Response	The City of El Monte is diligent when monitoring administrative cap requirements for its various special revenue funds. However, due to an unforeseen staffing change, fiscal year 2010/11 invoices related to Measure R Local Return projects were not submitted for payment until well into fiscal year 2011/12. Subsequently, a prior period adjustment was made during the fiscal year 2011/2012 audit that resulted in the City’s administrative cap exceeding its minimum by 1%. Prior to this adjustment the City had been in compliance with 20% administrative cap.

**LACMTA Consolidated Audit
Fiscal Year 2012
Schedule of Findings and Questioned Costs
(Continued)**

SCHEDULE 2

Finding 6	City of Huntington Park
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.1), "LACMTA will provide Local Return funds to a capital project or program sponsor who submits the required expenditure plan containing the following: (1) The estimated total cost for each project and/or program activity."
Condition	The expenditures for the Administration project in the amount of \$8,282 were incurred prior to the approval from LACMTA. There is no documentation that the project was ever approved for any amount for FY 2011-12.
Cause	The City did not foresee the expenditure occurring in FY 2011-12.
Effect	The Expenditures for Measure R Local Return programs were incurred without LACMTA's approval. Incurred expenditures prior to LACMTA's approval resulted in questioned costs of \$8,282.
Recommendation	In accordance with the Guidelines, we recommend that the City reimburse its Measure R Local Return account in the amount of \$8,282. In addition, we recommend that the City establish procedures to ensure that the Form One (Expenditure Plan) is properly prepared and submitted before the due date of August 1 st . In accordance with the Guidelines, the City should include all new, amended, ongoing, and carryover projects in the Form One.
Management's Response	The expenditure happened towards the end of the fiscal year. We did not submit a budget for it as we were under the impression there would be no expenditures for the Admin project for FY 2011-12.
Corrected During the Audit	The project was subsequently approved by the Program Manager from LACMTA on November 27, 2012. The finding was corrected during the audit. No additional follow up is required.

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Schedule of Findings and Questioned Costs
(Continued)

SCHEDULE 2

Finding 7	City of Huntington Park
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.1), "Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually by August 1 st of each year."
Condition	The City did not meet the August 1, 2011 deadline for submission of Form One. However, the City submitted the Form One on August 3, 2011.
Cause	The City was not aware of the importance of submitting Form One to meet the compliance requirements of the Measure R Local Return guidelines.
Effect	The City's Form One was not submitted timely.
Recommendation	We recommend that the City establish procedures to ensure that the Form One (Expenditure Plan) is properly prepared and submitted before the due date of August 1 st so that the City's expenditures of the Measure R Local Return Funds will be in accordance with LACMTA's approval and the Guidelines.
Management's Response	The City will submit all required reports on a timely basis.

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

SCHEDULE 2

Finding 8	City of Lawndale
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.1), "LACMTA will provide Local Return funds to a capital project or program sponsor who submits the required expenditure plan containing the following: (1) The estimated total cost for each project and/or program activity."
Condition	The expenditures for the Pavement/Curb/Gutter Improvement project in the amount of \$194,000 were incurred without LACMTA's project approval for FY 2012.
Cause	The City believed that projects previously approved by LACMTA were not required to be included in the subsequent years' Form One (Expenditure Plan). The project was previously approved in FY 2011; therefore, the City did not include this project in Form One for FY 2012.
Effect	The Expenditures for Measure R Local Return programs were incurred without LACMTA's project approval for FY 2012. Expenditures incurred prior to LACMTA's approval resulted in questioned costs of \$194,000.
Recommendation	In accordance with the Guidelines, we recommend that the City reimburse its Measure R Local Return account in the amount of \$194,000. In addition, we recommend that the City establish procedures to ensure that the Form One (Expenditure Plan) is properly prepared and submitted before the due date of August 1 st . In accordance with the Guidelines, the City should include all new, amended, ongoing, and carryover projects in the Form One.
Management's Response	In FY 2011-12, the City of Lawndale believed that Form One (budget) was not to include any projects that had been previously approved in prior years. Due to this, the City's Pavement/Curb/Gutter Improvement project was not included in the Form One. However, there is no longer any misunderstanding and we will properly prepare Form One in the future.
Corrected During the Audit	The project was subsequently approved by the Program Manager from LACMTA on December 3, 2012. The finding was corrected during the audit. No additional follow up is required.

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(Continued)**

SCHEDULE 2

Finding 9	City of Lawndale
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.1), "Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually by August 1 st of each year."
Condition	The City did not meet the August 1, 2011 deadline for submission of Form One. However, the City submitted the Form One on May 9, 2012.
Cause	The City was not aware of the importance of submitting Form One to meet the compliance requirements of the Measure R Local Return guidelines.
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.
Management's Response	The City concurs with the findings and plans to submit all required reports on a timely basis in the future.

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

SCHEDULE 2

Finding 10	City of Maywood
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.1), "LACMTA will provide Local Return funds to a capital project or program sponsor who submits the required expenditure plan containing the following: (1) The estimated total cost for each project and/or program activity."
Condition	The City expended \$10,000 for the Project code 710, Corridor project without LACMTA's project approval during the fiscal year 2012. In addition, the City recorded additional expenditures of \$10,000 to the same project but for the fiscal year 2011 without LACMTA's project approval. However, these expenditures were eligible under Measure R Local Return Fund guidelines.
Cause	The City did not submit Form One (Expenditure Plan) on time as they were unaware of the importance of meeting the filing requirements of the Measure R Local Return Guidelines.
Effect	The City expended Measure R Funds prior to LACMTA's approval. Incurred expenditures prior to LACMTA's approval resulted in questioned costs of \$20,000.
Recommendation	In accordance with the Guidelines, we recommend that the City reimburse its Measure R Local Return account \$20,000. In addition, 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 Measure R Local Return Funds will be in accordance with LACMTA's approval and the Guidelines.
Management's Response	Although the City obtained approval to use Measure R Fund for payment of two invoices with a total cost of \$20,000 (\$10,000 for FY 2011 and \$10,000 for FY 2012), the City was remiss in not submitting the Expenditure Plan (Form One) for project approval. The City will comply with the procedures and guidelines on project approval before incurring expenses.
Corrected During the Audit	The project was subsequently approved by the Program Manager from LACMTA for the fiscal years 2012 and 2011 on December 20, 2012. The finding was corrected during the audit. No additional follow up is required.

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(Continued)

SCHEDULE 2

Finding 11	City of Montebello
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.1), "Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually by August 1 st of each year."
Condition	The City did not meet the August 1, 2011 deadline for submission of Form One. However, the City submitted the Form One on August 4, 2011.
Cause	The City was not aware of the importance of submitting Form One to meet the compliance requirements of the Measure R Local Return guidelines.
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.
Management's Response	The City will submit all required reports on a timely basis.

**LACMTA Consolidated Audit
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SCHEDULE 2

Finding 12	City of Pico Rivera
Compliance Reference	According to Measure R Local Return Guidelines, Section A (I), "Local Return funds are to be used for transportation purposes. No net revenues distributed to Jurisdictions may be used for purposes other than transportation purposes."
Condition	Salaries (pay rates) were not updated when new employees replaced incumbents on the Job Cost excel spreadsheet. Using the incorrect rates for the two employees was a clerical and internal control error, as the spreadsheet was not reviewed by someone other than the preparer. The person who prepared the job cost report changed the names on the spreadsheet but did not change the charge rate, since the job titles were the same. As a result, the Measure R Local Return Fund expenditures are overstated.
Cause	The incorrect pay rates can be attributed to a clerical error and the lack of internal control review procedures over the Job Cost spreadsheet. When the administrator changed the names, they did not change the rate.
Effect	The Measure R expenditures are overstated. Overstated expenditures resulted in questioned costs of \$1,230.
Recommendation	In accordance with the Guidelines, we recommend that the City reimburse its Measure R Local Return account in the amount of \$1,230. In addition, we recommend that the City maintain proper accounting records and establish adequate internal controls over its source documentation.
Management's Response	The management agrees with the finding. The City Administrator overlooked the fact that the pay rates changed when a different employee took over the same jobs. We will work to correct this in the future.

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(Continued)**

SCHEDULE 2

Finding 13	City of Rosemead
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.1), "LACMTA will provide Local Return funds to a capital project or program sponsor who submits the required expenditure plan containing the following: (1) The estimated total cost for each project and/or program activity."
Condition	Expenditures for Replacement parking facility project for a total amount of \$320,950 and SR60 Coalition Advocacy project for a total amount of \$44,000 for Measure R Local Return Funds were incurred without LACMTA's project approval.
Cause	The City's Form One (Expenditure Plan) did not include all Measure R Local Return projects as the City personnel were unaware of the importance of meeting the filing requirements of the Measure R Local Return Guidelines.
Effect	The City expended Measure R Funds without LACMTA's approval. Incurred expenditures prior to LACMTA's approval resulted in questioned costs of \$364,950.
Recommendation	In accordance with the Guidelines, we recommend that the City reimburse its Measure R Local Return account \$364,950. In addition, 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 Measure R Local Return Funds will be in accordance with LACMTA's approval and the Guidelines.
Management's Response	Due to our Finance Director retiring in FY 11/12, our remaining staff was not aware of this requirement. We are aware of it now and will obtain the proper approval for all of our 12/13 expenditures.
Corrected During the Audit	The project was subsequently approved by the Program Manager from LACMTA on December 12, 2012. The finding was corrected during the audit. No additional follow up is required.