



Measure R Oversight Committee Annual Report on FY16 Audits

Measure R Independent Taxpayers Oversight Committee of Metro

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



Metro

MEASURE R INDEPENDENT TAXPAYERS OVERSIGHT COMMITTEE OF METRO ANNUAL REPORT ON FY16 MEASURE R AUDITS

INTRODUCTION

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

THE AUDITS

The Independent Auditor's report on the Measure R Special Revenue Fund found that Metro complied, in all material respects, with the requirements that are applicable to the Measure R revenues and expenditures for the year ended June 30, 2016.

The audits of the 87 cities and Los Angeles County found 17 local jurisdictions with compliance issues. Most findings have been resolved. Audit findings were in four basic categories as follows:

- Late submittal of Forms. Ten cities did not submit their form on time. The form, either a Form One, Form Two or Recreation Transit Form, is required to be submitted to LACMTA for listing their budget and expenditures respectively.
- Administrative expenditures claimed exceeded 20% cap. Three cities went over the 20% administration cap.
- Funds expended without LACMTA approval. Eight cities failed to obtain approval before incurring expenditures.
- Adequate evidence for fund expenditures was not provided. Eight cities did not provide adequate evidence that funds were expended for transportation purposes (back-up documentation).

There are three cities with pending issues: Compton, Downey and West Covina. Metro staff expects these three cities to take corrective action and mitigate the findings.

Since the year ended June 30, 2013, compliance has ranged from a low of 96% to a high of 98%. The compliance rate for the year ended June 30, 2016 is 97%.

MEASURE R OVERSIGHT COMMITTEE REVIEW

The Measure R Oversight Committee received the three audit reports in February 2017. Each member of the Committee reviewed the reports, and the Committee met on March 6, 2017. At that meeting, the Committee received a formal presentation from each of the three auditors on their audit reports. The Committee asked questions and received satisfactory answers to questions regarding reimbursement received by Metro for expenditures on the Crenshaw line by the TIFIA loan, the status of the funds West Covina reported spending inconsistent with the Measure R guidelines, the adequacy of the cities of Compton and South El Monte internal controls concerning Measure R funds and whether those deficiencies were self-reported, whether corrective action for Compton requires repayment and if so whether interest will be added, and the consequences of failure to return funds which are determined to be spent improperly. The Committee also received a comparative analysis report on audit findings over the last four years from Metro's Chief Auditor, a status update on Measure R Local Return Compliance Status from Metro's Local Programming Department, and a presentation from the Committee's Advisory Panel Public Finance Expert, Lori Raineri of Government Financial Strategies.

MEASURE R OVERSIGHT COMMITTEE FINDINGS

The Committee finds that: 1) the audits were performed in accordance with the Ordinance that the voters approved in 2008; 2) Metro complied, in all material respects, with the requirements applicable to the Measure R revenues and expenditures for the year ended June 30, 2016; and 3) With the exception of the City of Compton, all Cities and the County complied in all material respects, with the requirements in the Measure R Ordinance that are applicable to the Measure R Local Return program for the year ended June 30, 2016; however, the audits found 29 instances of non-compliance in 17 local jurisdictions including 12 deficiencies in internal control over compliance, of which nine were considered to be material weaknesses and three were considered to be significant deficiencies.

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

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

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

WHEREAS, the oversight process requires that an annual audit be conducted within six months after the end of the fiscal year to determine compliance with the provisions of the Ordinance related to the receipt and expenditure of sales tax revenues during the fiscal year; and

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

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

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

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

Metro complied, in all material respects, with the requirements applicable to the Measure R revenues and expenditures for the year ended June 30, 2016;

With the exception of the City of Compton, all Cities and the County complied in all material respects, with the requirements in the Measure R Ordinance that are applicable to the Measure R Local Return program for the year ended June 30, 2016; however, the audits found 29 instances of non-compliance in 17 local jurisdictions including 12 deficiencies in internal control over compliance, of which nine were considered to be material weaknesses and three were considered to be significant deficiencies. Metro's Local Programming Department is working with the Cities to resolve the remaining issues.

Prepared by: Ronald Stamm, Principal Deputy County Counsel

Signed: 
Michele Jackson, Metro Board Secretary

Adopted this 14th day of May, 2017.

**LOS ANGELES COUNTY
METROPOLITAN
TRANSPORTATION AUTHORITY**

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

**For the Fiscal Year Ended June 30, 2016
(With Comparative Totals for 2015)**



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

For The Fiscal Year Ended June 30, 2016
(With Comparative Totals for 2015)

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Independent Auditor's Report

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

Report on the Schedule of Measure R Revenues and Expenditures

We have audited the accompanying Schedule of Measure R Revenues and Expenditures (the Schedule) of the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 2016, and the related notes to the Schedule, which collectively comprise LACMTA's basic Schedule as listed in the table of contents.

Management's Responsibility for the Schedule of Measure R Revenues and Expenditures

LACMTA's management is responsible for the preparation and fair presentation of the Schedule in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Schedule based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Schedule referred to above present fairly, in all material respects, the Measure R Revenues and Expenditures of LACMTA for the fiscal year ended June 30, 2016, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 5 be presented to supplement the Schedule. Such information, although not a part of the basic Schedule, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic Schedule in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic Schedule, and other knowledge we obtained during our audit of the basic Schedule. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

As discussed in Note 3 to the Schedule, the accompanying Schedule of the Measure R Fund is intended to present the revenues and expenditures attributable to the Fund. They do not purport to, and do not, present fairly the financial position of the LACMTA, as of June 30, 2016, and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Prior-Year Comparative Information

We have previously audited the Schedule of Measure R Revenues and Expenditures of LACMTA, and we expressed an unmodified audit opinion in our report dated November 20, 2015. In our opinion, the summarized comparative information presented herein for the fiscal year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2016, on our consideration of LACMTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LACMTA's internal control over financial reporting and compliance.

BCA Watson Rice, LLP

Torrance, CA
November 16, 2016

Los Angeles County Metropolitan Transportation Authority

Measure R Special Revenue Fund
Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2016
(With Comparative Totals for 2015)
(Amounts expressed in thousands)

	<u>2016</u>	<u>2015</u>
Revenues:		
Sales tax	\$ 764,968	\$ 745,919
Intergovernmental	3,628	6,953
Investment income	4,333	4,484
Net appreciation in fair value of investments	1,979	893
Total revenues	<u>774,908</u>	<u>758,249</u>
Expenditures:		
Administration and other	62,857	60,297
Transportation subsidies	327,633	239,756
Total expenditures	<u>390,490</u>	<u>300,053</u>
Excess of revenues over expenditures	<u>384,418</u>	<u>458,196</u>
Other financing sources (uses)		
Transfers in	69,653	3,904
Transfers out	(340,372)	(871,538)
Total other financing sources (uses)	<u>(270,719)</u>	<u>(867,634)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ 113,699</u>	<u>\$ (409,438)</u>

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

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Schedule of Revenues and Expenditures – Budget and Actual
For the Fiscal Year Ended June 30, 2016
(Amounts expressed in thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Sales tax	\$ 763,498	\$ 763,498	\$ 764,968	\$ 1,470
Intergovernmental	5,500	5,500	3,628	(1,872)
Investment income	-	-	4,333	4,333
Net appreciation in fair value of investments	-	-	1,979	1,979
Total revenues	<u>768,998</u>	<u>768,998</u>	<u>774,908</u>	<u>5,910</u>
Expenditures:				
Administration and other	136,060	138,852	62,857	75,995
Transportation subsidies	397,449	398,581	327,633	70,948
Total expenditures	<u>533,509</u>	<u>537,433</u>	<u>390,490</u>	<u>146,943</u>
Excess of revenues over expenditures	<u>235,489</u>	<u>231,565</u>	<u>384,418</u>	<u>152,853</u>
Other financing sources (uses)				
Transfers in	11,997	11,997	69,653	57,656
Transfers out	(490,555)	(490,555)	(340,372)	150,183
Total other financing sources (uses)	<u>(478,558)</u>	<u>(478,558)</u>	<u>(270,719)</u>	<u>207,839</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (243,069)</u>	<u>\$ (246,993)</u>	<u>\$ 113,699</u>	<u>\$ 360,692</u>

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

Los Angeles County Metropolitan Transportation Authority

Measure R Special Revenue Fund

Notes to the Schedule of Revenues and Expenditures

June 30, 2016

The Notes to the Schedule of Revenues and Expenditures are summaries of significant accounting policies and other disclosures considered necessary for a clear understanding of the accompanying schedule of revenues and expenditures. Unless otherwise stated, all dollar amounts are expressed in thousands.

1. Organization

General

The Los Angeles County Metropolitan Transportation Authority (LACMTA) is governed by a Board of Directors composed of the five members of the County Board of Supervisors, the Mayor of the City of Los Angeles, three members appointed by the Mayor, and four members who are either mayors or members of a city council and have been appointed by the Los Angeles County City Selection Committee to represent the other cities in the County, and a non-voting member appointed by the Governor of the State of California.

LACMTA is unique among the nation's transportation agencies. It serves as transportation planner and coordinator, designer, builder and operator for one of the country's largest and most populous counties. More than 10 million people, about one third of California's residents, live, work, and play within its 1,433-square-mile service area.

Measure R

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

2. Summary of Significant Accounting Policies

The Schedule of Revenues and Expenditures for the Measure R Special Revenue Fund have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles for governments.

Los Angeles County Metropolitan Transportation Authority

Measure R Special Revenue Fund

Notes to the Schedule of Revenues and Expenditures

June 30, 2016

2. Summary of Significant Accounting Policies (Continued)

The most significant of LACMTA's accounting policies with regard to the special revenue fund type are described below:

Fund Accounting

LACMTA utilizes fund accounting to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary, and fiduciary. Governmental Funds are used to account for most of LACMTA's governmental activities. The measurement focus is a determination of changes in financial position, rather than a net income determination. LACMTA uses governmental fund type Special Revenue Fund to account for Measure R sales tax revenues and expenditures. Special Revenue Funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Basis of Accounting

The modified accrual basis of accounting is used for the special revenue fund type. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, which means measurable (amount can be determined) and available (collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period).

Budgetary Accounting

The established legislation and adopted policies and procedures provide that the LACMTA's Board approves an annual budget. Annual budgets are adopted on a basis consistent with generally accepted accounting principles in the United States of America for all governmental funds.

Prior to the adoption of the budget, the Board conducts public hearings for discussion of the proposed annual budget and at the conclusion of the hearings, but no later than June 30, adopts the final budget. All appropriations lapse at fiscal year-end. The budget is prepared by fund, project, expense type, and department. The legal level of control is at the fund level and the Board must approve additional appropriations.

Los Angeles County Metropolitan Transportation Authority

Measure R Special Revenue Fund

Notes to the Schedule of Revenues and Expenditures

June 30, 2016

2. Summary of Significant Accounting Policies (Continued)

Budgetary Accounting (Continued)

By policy, the Board has provided procedures for management to make revisions within operational or project budgets only when there is no net dollar impact to the total appropriations at the fund level. Budget amendments are made when needed.

Annual budgets are adopted by LACMTA on the modified accrual basis of accounting for the special revenue fund types, on a basis consistent with GAAP as reflected in the Schedule.

Interest Income and Net Appreciation in Fair Value of Investments

The net appreciation in fair value of investments is shown on the Schedule of Revenues and Expenditures. LACMTA maintains a pooled cash and investments account that is available for use by all funds, except those restricted by state statutes.

Use of Estimates

The preparation of the Schedule in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

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

The Schedule is intended to reflect the revenues and expenditures of the Measure R fund only. Accordingly, the Schedule does not purport to, and does not, present fairly the financial position of the LACMTA and changes in financial position thereof for the year then ended in conformity with generally accepted accounting principles in the United States of America.

4. Intergovernmental Transactions

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

Los Angeles County Metropolitan Transportation Authority

Measure R Special Revenue Fund

Notes to the Schedule of Revenues and Expenditures

June 30, 2016

5. Operating Transfers

Amounts reflected as operating transfers represent permanent, legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended. All operating transfers in/out of the Measure R Special Revenue Fund have been made in accordance with all expenditure requirements of the Measure R Ordinance. For the fiscal year ended June 30, 2016, transfers increased by \$65,750 compared to the prior year mainly due to the return of prior year funding from other special revenue funds, while the transfers out decreased by \$531,166 compared to the prior year mainly due to lower billings from various planning and capital projects nearing the completion stages.

6. Audited Financial Statements

The audited financial statements for the Measure R Special Revenue Fund for the fiscal year ended June 30, 2016 are included in LACMTA's Audited Comprehensive Annual Financial Report (CAFR).

7. Contingent Liabilities

LACMTA is aware of potential claims that may be filed against them. The outcome of these matters is not presently determinable, but the resolution of these matters is not expected to have a significant impact on the financial condition of LACMTA.

8. Subsequent Events

Measure M - Los Angeles County Traffic Improvement Plan

On November 8, 2016, Measure M, "Los Angeles County Traffic Improvement Plan" was approved by the voters of Los Angeles County by more than a two-thirds majority. Measure M is an ordinance authorizing an additional ½ of 1% sales tax starting July 1, 2017. Measure M will also continue the existing Measure R half-cent sales tax rate when Measure R expires on July 1, 2039. Measure M has no expiration date. Revenues will be used to improve freeway traffic flow and safety; repair potholes and sidewalks; repave local streets; earthquake-retrofit bridges; synchronize signals; keep senior, disabled and student fares affordable; expand light rail, subway and bus systems; and improve job, school and airport connections.

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Schedule of Revenues and Expenditures (the Schedule) for Measure R Special Revenue Fund of the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 2016, and the related notes to the Schedule, which collectively comprised LACMTA's basic Schedule, and have issued our report thereon dated November 16, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the LACMTA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the LACMTA's internal control. Accordingly, we do not express an opinion on the effectiveness of the LACMTA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the LACMTA's Schedule will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in

internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the LACMTA's Schedule is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the amounts on the Schedule. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BCA Watson Rice, LLP

Torrance, California

November 16, 2016

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

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

Report on Compliance

We have audited the Los Angeles County Metropolitan Transportation Authority (LACMTA) compliance of the Measure R Revenues and Expenditures with the types of compliance requirements described in the *Traffic Relief and Rail Expansion Ordinance* (the Ordinance) for the fiscal year ended June 30, 2016.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on the Measure R Revenues and Expenditures. However, our audit does not provide a legal determination of LACMTA's compliance.

Opinion on Measure R Revenues and Expenditures

In our opinion, LACMTA complied, in all material respects, with the requirements referred to above that could have a direct and material effect on the Measure R Revenues and Expenditures for the fiscal year ended June 30, 2016.

Report on Internal Control over Compliance

Management of the LACMTA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the LACMTA's internal control over compliance with the types of requirements that could have a direct and material effect on the Measure R Revenues and Expenditures as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the *Traffic Relief and Rail Expansion Ordinance*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the LACMTA's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of the Measure R Revenues and Expenditures that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

BCA Watson Rice, LLP

Torrance, California
November 16, 2016

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Summary of Current Year Audit Findings
For the Fiscal Year Ended June 30, 2016

None noted.

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

None noted.



Metro™

**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, 2016

An independently owned member
RSM US Alliance



 **Vasquez
& Company LLP**
Certified Public Accountants and Business Consultants

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

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

Report on Compliance

We have audited the compliance of the County of Los Angeles (County) and the thirty-eight (38) Cities 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 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure R Local Return Funds, executed by LACMTA and the respective Cities and the County for the year ended June 30, 2016 (collectively, the Requirements). Compliance with the above noted Guidelines and Requirements by the County and the Cities are identified in the accompanying Summary of Compliance Findings, Schedule 1 and Schedule 2.

Management's Responsibility

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

Auditors' Responsibility

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

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



Opinion

In our opinion, except for the City of Compton, as described in Schedule 2 as Finding #2016-005, the Cities and the County complied, in all material respects, with the Guidelines and Requirements referred to above that could have a direct and material effect on the Measure R Local Return program for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and Requirements and which are described in the accompanying Summary of Measure R Audit Results (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2016-001 through #2016-018. Our opinion is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance under the Guidelines and Requirements on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance under the Guidelines and Requirements will not be prevented, or detected and corrected, on a timely basis. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2016-001, #2016-002, #2016-005, #2016-009, #2016-010, #2016-013, #2016-015, #2016-016 and #2016-017, that we consider to be material weaknesses.



A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines and Requirements that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as Finding #2016-004, that we consider to be a significant deficiency.

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

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

Vaughan & Company LLP

Los Angeles, California
December 29, 2016

**Los Angeles County Metropolitan Transportation Authority
Summary of Compliance Findings
Fiscal Year Ended June 30, 2016**

The audits of the 38 cities and the County of Los Angeles identified in Schedule 1 have resulted in 18 findings. The table below shows a summary of the findings:

Finding	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs	Resolved During the Audit
No adequate evidence that funds were expended for transportation purposes.	4	Compton (#2016-005) La Puente (#2016-009) Montebello (#2016-013) South El Monte (#2016-016)	\$ 1,129,557 30,950 49,280 4,015	\$ - 30,950 49,280 -
Funds were expended without LACMTA's approval.	5	Bell Gardens (#2016-001) La Puente (#2016-010) Lynwood (#2016-011) Rosemead (#2016-014) South El Monte (#2016-017)	140,694 5,836 1,079 5,443 4,960	140,694 5,836 - 5,443 4,960
Expenditure Plan (Form One) was not submitted on time.	2	Compton (#2016-006) Irwindale (#2016-008)	None None	- -
Expenditure Report (Form Two) was not submitted on time.	3	Compton (#2016-007) Lynwood (#2016-012) South El Monte (#2016-018)	None None None	- - -
Administrative expenses exceeded the 20% cap.	3	Bell Gardens (#2016-002) Carson (#2016-004) Rosemead (#2016-015)	12,146 4,594 20,830	12,146 4,594 20,830
Recreational Transit form was not submitted on time.	1	Calabasas (#2016-003)	None	-
Total Findings and Questioned Costs	18		\$ 1,409,384	\$ 274,733

Details of the findings are in Schedule 2.

**Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2016**

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

**Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2016
(Continued)**

Compliance Area Tested	Bell	Bell Gardens	Beverly Hills
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	See Finding #2016-001	Compliant
Expenditure Plan (Form One) was submitted on time.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Compliant	See Finding #2016-002	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Compliant	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2016
(Continued)**

Compliance Area Tested	Calabasas	Carson	Commerce
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Compliant	See Finding #2016-004	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	See Finding #2016-003	Not Applicable	Compliant

**Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2016
(Continued)**

Compliance Area Tested	Compton	Cudahy	Culver City
Funds were expended for transportation purposes.	See Finding #2016-005	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time.	See Finding #2016-006	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time.	See Finding #2016-007	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Compliant	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2016
(Continued)

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

**Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2016
(Continued)**

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

**Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2016
(Continued)**

Compliance Area Tested	Inglewood	Irwindale	La Puente
Funds were expended for transportation purposes.	Compliant	Not Applicable	See Finding #2016-009
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Not Applicable	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Not Applicable	See Finding #2016-010
Expenditure Plan (Form One) was submitted on time.	Compliant	See Finding #2016-008	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Compliant	Not Applicable	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not applicable

**Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2016
(Continued)**

Compliance Area Tested	Lawndale	Los Angeles County	Lynwood
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	See Finding #2016-011
Expenditure Plan (Form One) was submitted on time.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	See Finding #2016-012
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Compliant	Not Applicable	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2016
(Continued)**

Compliance Area Tested	Malibu	Maywood	Montebello
Funds were expended for transportation purposes.	Compliant	Compliant	See Finding #2016-013
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Compliant	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2016
(Continued)**

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

**Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2016
(Continued)**

Compliance Area Tested	Rosemead	San Fernando	Santa Monica
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	See Finding #2016-014	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	See Finding #2016-015	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2016
(Continued)

Compliance Area Tested	Santa Fe Springs	South El Monte	South Gate
Funds were expended for transportation purposes.	Compliant	See Finding #2016-016	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	See Finding #2016-017	Compliant
Expenditure Plan (Form One) was submitted on time.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	See Finding #2016-018	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Compliant	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2016
(Continued)**

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

**Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2016**

Finding #2016-001	City of Bell Gardens
Compliance Reference	<p>Section B (II) of Measure R Local Return Program Guideline states that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1st of each year.</p> <p>Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.</p>
Condition	<p>The City claimed expenditures for MRLRF project code 8.10, Fund Administration, for \$140,694 with no prior approval from LACMTA.</p> <p>The City submitted a revised Expenditure Plan (Form One) to the LACMTA Program Manager and obtained a retroactive approval of the said project on December 22, 2016.</p>
Cause	The City concurs with the finding that an Expenditure Plan (Form One) should have been submitted by August 1 for the projects that will be funded with Measure R. The finding was caused by an oversight by City staff.
Effect	The City claimed expenditures totaling \$140,694 without prior approval from LACMTA. Lack of prior approval results in non-compliance which could impact future funding or result in questioned costs that require funding to be returned to LACMTA.
Recommendation	We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on Measure R-funded projects.
Management's Response	The City is in the process of submitting a revised Expenditure Plan (Form One) to LACMTA for retroactive approval. Additionally, the City is going to reevaluate the processes that are in place to ensure forms are submitted to LACMTA by August 1st.
Finding Corrected During the Audit	LACMTA Program Manager granted retroactive approval of the said project on December 22, 2016. No additional follow up is required.

**Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2016**

Finding #2016-002	City of Bell Gardens
Compliance Reference	Measure R Local Return Program Guidelines Section A(II)(8) states that, "Transportation Administration expenditures are those administrative costs associated with and incurred for the aforementioned eligible projects/program. Direct administration expenditures includes those fully burdened costs that are directly associated with administering LR program or projects, and includes salaries and benefits, office supplies and equipment, and other overhead costs. All costs must be associated with developing, maintaining, monitoring, and coordinating, reporting and budgeting specific LR project(s). Expenditures must be reasonable and appropriate to the activities undertaken by the locality. The administrative expenditures for any year shall not exceed twenty percent (20%) of the total LR annual expenditures".
Condition	The City's administration expenditures exceeded more than 20 percent of its MRLRF total annual local return expenditures by \$12,146.
Cause	The City is aware of the 20% limit of actual expenditures on Direct Administration. However, budgeted project expenditures were lower than expected which reduced the threshold for allowable administrative costs.
Effect	Administrative expenses that exceeded 20% of the total annual local return expenditures are not allowable expenditures under the Measure R Local Return Program Guidelines.
Recommendation	We recommend for the City to reimburse the questioned cost of \$12,146 to the MRLRF account. In addition, the City should establish procedures to ensure that administrative expenditures claimed under the local return funds be limited to 20 percent of the fund's total annual expenditures.
Management's Response	The City has reimbursed MRLRF \$12,146 for the excess amount of Direct Administration. A journal entry has been booked to transfer the funds from the City's General Fund, and a copy of the recorded journal entry has been provided to the auditors.
Finding Corrected During the Audit	The City has reimbursed the City's MRLRF account the amount of \$12,146 in FY 2016/17. No follow up is required.

**Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2016**

Finding #2016-003	City of Calabasas
Compliance Reference	Section B(II)(3) of the Measure R Local Return Program Guidelines also states that, "Jurisdictions that use their Measure R LR funds for recreational transit services must fill out, sign and submit this form no later than October 15 after the fiscal year in which the services were rendered".
Condition	The Recreational Transit report was submitted on December 8, 2016, which is beyond the due date of October 15, 2016.
Cause	The City Staff inadvertently overlooked this paperwork that needed to be filed by the deadline of October 15, 2016.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend for the City to establish procedures and controls to ensure that the Annual Recreational Transit Report is submitted by October 15 as required by the Guidelines.
Management's Response	Going forward, it is in the City Staff calendar to file this document along with the Expenditure Report (Form Two) by the deadline of October 15.
Finding Corrected During the Audit	The City subsequently submitted the form. No follow up is required.

Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2016
(Continued)

Finding #2016-004	City of Carson
Compliance Reference	Section II(A)(15) of Measure R Local Return Program Guideline states that, "The administrative expenditures for any year shall not exceed 20 percent of the total LR annual expenditures, based on year-end expenditures, and will be subject to an audit finding if the figure exceeds 20%."
Condition	The City's administrative expenditures exceeded more than 20% of its total Measure R Local Return expenditures in the amount of \$4,594.
Cause	The City uses its best estimate of percentage of its project and administrative employees' salaries to determine the administrative payroll charges to MRLRF.
Effect	The City's MRLRF administrative expenditures exceeded 20 percent of its local return annual expenditure. The City did not comply with the Guidelines. Amount exceeded 20 percent cap resulted in questioned cost of \$4,594. The City is required to reimburse the MRLRF account for this amount.
Recommendation	We recommend that the City establish procedures and controls to ensure that administrative expenditures are within the 20 percent cap of the MRLRF's total annual expenditures. Also, the City should return the amount of \$4,594, the amount over the 20% cap, to the MRLRF account.
Management's Response	The City will establish a review process to periodically perform a comparison of actual hours to budgeted/charged amount to ensure that the administrative expenditures reported to MRLRF are within the 20% cap.
Finding Corrected During the Audit	The City has reimbursed the City's MRLRF account the amount of \$4,594 in FY 2016/17. No follow up is required.

**Los Angeles County Metropolitan Transportation Authority
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2016
 (Continued)**

Finding #2016-005	City of Compton
Compliance Reference	<p>Measure R Local Return Program Guidelines Section A(II)(8) states that, "Transportation Administration expenditures are those administrative costs associated with and incurred for the aforementioned eligible projects/program. Direct administration expenditures includes those fully burdened costs that are directly associated with administering LR program or projects, and includes salaries and benefits, office supplies and equipment, and other overhead costs. All costs must be associated with developing, maintaining, monitoring, and coordinating, reporting and budgeting specific LR project(s). Expenditures must be reasonable and appropriate to the activities undertaken by the locality. The administrative expenditures for any year shall not exceed twenty percent (20%) of the total LR annual expenditures".</p> <p>On April 29, 2014, the LACMTA Local Return Program Manager issued a memo addressed to all Jurisdictions to provide clarification for adequate salary and related costs documentations for the audit of the Local Return funds.</p> <p>Below are recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines:</p> <ol style="list-style-type: none"> 1. All hours are required to be documented. Develop and/or maintain a system that will keep track of actual hours worked by employees whose salaries and benefits were charged to the LACMTA project. Expenditures claimed based solely on budgeted amounts is not considered adequate documentation because it does not reflect actual expenditures incurred on the LACMTA project and do not provide adequate evidence that labor hours charged has transit/transportation purpose. The record of hours worked must: a) identify the LACMTA project, b) be authenticated by the employee and approved by his/her immediate supervisor, and c) tie to hours reported in the payroll records.

Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2016
(Continued)

Finding #2016-005 (Continued)	City of Compton
Compliance Reference (Continued)	2. Provide adequate support for indirect costs. For indirect expenditures allocated to LACMTA projects, develop and/or maintain a system that distributes allowable expenditures to projects based on causal or beneficial relationships. Expenditures cannot be claimed on LACMTA project if the expenditures are not allowable (i.e., not transportation or transit related) or not allocable to the LACMTA project (i.e., LACMTA project did not cause the incurrence of the expenditure or LACMTA project did not benefit from the expenditure).
Condition	<p>The City claimed salaries and benefits expenditures under project code 2.05, Traffic Signal, amounting to \$949,974 and project code 8.10, Fund Administration, amounting to \$179,583.</p> <p>The City was not able to provide the timesheets, payroll registers, labor distribution reports and other related documents to support the charges. We were not able to verify the reasonableness and allowability of these expenditures under the Local Return Guidelines.</p>
Cause	There was a breakdown in internal controls over compliance to ensure that all necessary documentation was retained supporting the costs charged to Measure R.
Effect	The salaries and benefits claimed under Measure R may include unallowable payroll costs and therefore, we question the total amount of \$1,129,557.
Recommendation	We recommend that the City reimburse its MRLRF account the amount of \$1,129,557. In addition, we recommend that the City establish controls to ensure that the salaries and benefits charged to the Local Return funds are adequately supported by timesheets, payroll registers, personnel action forms with job descriptions, or similar documentation as required by the Guidelines.
Management's Response	As of the date of this report, the City management has not provided a response to this finding.

**Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2016
(Continued)**

Finding #2016-006	City of Compton
Compliance Reference	Section B (II) (I) of the Measure R Local Return Program Guidelines states that, "To maintain eligibility and meet Measure R LR program compliance requirements, jurisdictions shall submit to LACMTA an Expenditure Plan (Form One) annually by August 1 st of each year".
Condition	The City submitted its Expenditure Plan (Form One) on November 23, 2016, which is beyond the due date set under the Guidelines.
Cause	The City lacks adequate procedures and controls to ensure that the Expenditure Plan (Form One) is submitted on time.
Effect	The City's Expenditure Plan (Form One) was not submitted timely. The City was not in compliance with the Local Return Guidelines.
Recommendation	We recommend for the City to establish procedures and controls to ensure that Expenditure Plan (Form One) is submitted by August 1 as required by the Guidelines.
Management's Response	As of the date of this report, the City management has not provided a response to this finding.
Finding Corrected During the Audit	The City subsequently submitted the form. No follow up is required.

**Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2016
(Continued)**

Finding #2016-007	City of Compton
Compliance Reference	Section B(II)(2) of the Measure R Local Return Program Guidelines states that "...Jurisdictions shall submit to LACMTA an Expenditure Report (Form Two), annually, by October 15 th (following the conclusion of the fiscal year)...."
Condition	The City submitted its Form Two on December 2, 2016, which is beyond the due date set under the Guidelines.
Cause	The City lacks adequate procedures and controls to ensure that the Expenditure Report (Form Two) is submitted on time.
Effect	Expenditure Report (Form Two) was not submitted timely as required by the Guidelines.
Recommendation	We recommend for the City to establish procedures and controls to ensure that Expenditure Report (Form Two) is submitted by October 15 as required by the Guidelines.
Management's Response	As of the date of this report, the City management has not provided a response to this finding.
Finding Corrected During the Audit	The City subsequently submitted the form. No follow up is required.

Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2016
(Continued)

Finding #2016-008	City of Irwindale
Compliance Reference	Section B (II) (I) of the Measure R Local Return Program Guidelines states that, "To maintain eligibility and meet Measure R LR program compliance requirements, jurisdictions shall submit to LACMTA an Expenditure Plan (Form One) annually by August 1 st of each year".
Condition	The City submitted its Expenditure Plan (Form One) on August 5, 2015, which is beyond the due date set under the Guidelines.
Cause	The condition was due to oversight by City Staff.
Effect	The City's Expenditure Plan (Form One) was not submitted timely. The City was not in compliance with the Local Return 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's Response	The City of Irwindale recognizes the importance of submitting all MTA Forms timely, and has always met its deadlines in the past. Unfortunately, the City submitted this Form 4 days late this year. We believe this oversight was an isolated incident caused by extenuating circumstances, as the City was undergoing a major State Audit at the time. City Staff will ensure all deadlines are met in the future.
Finding Corrected During the Audit	The City subsequently submitted the form. No follow up is required.

**Los Angeles County Metropolitan Transportation Authority
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2016
 (Continued)**

Finding #2016-009	City of La Puente
Compliance Reference	<p>Measure R Local Return Program Guidelines Section A(II)(8) states that, "Transportation Administration expenditures are those administrative costs associated with and incurred for the aforementioned eligible projects/program. Direct administration expenditures includes those fully burdened costs that are directly associated with administering LR program or projects, and includes salaries and benefits, office supplies and equipment, and other overhead costs. All costs must be associated with developing, maintaining, monitoring, and coordinating, reporting and budgeting specific LR project(s). Expenditures must be reasonable and appropriate to the activities undertaken by the locality. The administrative expenditures for any year shall not exceed twenty percent (20%) of the total LR annual expenditures".</p> <p>On April 29, 2014, the LACMTA Local Return Program Manager issued a memo addressed to all Jurisdictions to provide clarification for adequate salary and related costs documentations for the audit of the Local Return funds.</p> <p>Below are recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines:</p> <ol style="list-style-type: none"> 1. All hours are required to be documented. Develop and/or maintain a system that will keep track of actual hours worked by employees whose salaries and benefits were charged to the LACMTA project. Expenditures claimed based solely on budgeted amounts is not considered adequate documentation because it does not reflect actual expenditures incurred on the LACMTA project and do not provide adequate evidence that labor hours charged has transit/transportation purpose. The record of hours worked must: a) identify the LACMTA project, b) be authenticated by the employee and approved by his/her immediate supervisor, and c) tie to hours reported in the payroll records. 2. Provide adequate support for indirect costs. For indirect expenditures allocated to LACMTA projects, develop and/or maintain a system that distributes allowable expenditures to projects based on causal or beneficial relationships. Expenditures cannot be claimed on LACMTA project if the expenditures are not allowable (i.e., not transportation or transit related) or not allocable to the LACMTA project (i.e., LACMTA project did not cause the incurrence of the expenditure or LACMTA project did not benefit from the expenditure).

Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2016
(Continued)

Finding #2016-009 (Continued)	City of La Puente
Condition	The claimed expenditures under project codes 08-001 to 08-006, Administration, amounting to \$30,950 had no supporting documentation as to the nature of the expenditures. We were informed that the amount was derived from a calculation based on 20 percent of the total local return annual expenditures. We were not able to verify the reasonableness and allowability of the expenditures under the Guidelines.
Cause	The City was not aware that its practice of calculating 20 percent of the total annual expenditure and charging this amount to administrative expenditures without adequate support was a noncompliance with the requirements of the Guidelines.
Effect	The unsupported administrative expenditures claimed under the MRLRF are disallowed under the Measure R Local Return Program Guidelines.
Recommendation	We recommend that the City reimburse its MRLRF account the amount of \$30,950. In addition, we recommend that the City establish controls to ensure that the costs charged to the Local Return funds are adequately supported by contracts, invoices, cancelled checks or similar documentation and that it revise its current labor costs reporting procedures to ensure that labor costs charged to Local Return funds are adequately supported by timesheets, payroll registers, personnel action forms with job descriptions, or similar documentation so that Local Return expenditures are in compliance with the Guidelines.

Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2016
(Continued)

Finding #2016-009 (Continued)	City of La Puente
Management's Response	<p>The Measure R Local Return Guidelines (Guidelines) issued by the Los Angeles County Metropolitan Transportation Authority (LACMTA) do not stipulate that actual administrative hours are to be documented and staff is confident the City is in compliance with existing Guidelines. Current staff was unaware of the letter that was sent out by MTA in April 2014 <i>recommending</i> specific documentation for administrative costs. The letter referenced above was provided to the City at the time of the FY 15-16 audit. Furthermore, no mention of additional required documentation for administrative costs was made during the prior (FY 14-15) LACMTA audit. City staff is now aware of the recommendation and will ensure adequate evidence to support administrative charges in the future (beginning in fiscal year 2016-2017).</p> <p>Beginning in fiscal year 2016-2017, a system will be developed and maintained that will ensure that administrative costs charged to Local Return funds are adequately supported by time sheets, payroll registers or other documentation so that it is in compliance with the LACMTA's recommendation for documenting administrative costs.</p>
Auditors' Rejoinder	<p>Aside from the memo issued on April 29, 2014, LACMTA and the Auditors conducted an annual audit kickoff workshop attended by representatives from the Jurisdictions. During these workshops, Auditors and LACMTA emphasizes the importance of maintaining proper documentation that would support allowability of expenditures charged to local return funds including supports for payroll and administration charges.</p>
Finding Corrected During the Audit	<p>The City has reimbursed the City's MRLRF account the amount of \$30,950 in FY 2016/17. No follow up is required.</p>

**Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2016
(Continued)**

Finding #2016-010	City of La Puente
Compliance Reference	Measure R Local Return Program Guidelines Section B(VII)(A) states that, "The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines: Verification that funds were expended with Metro's approval."
Condition	The City claimed expenditures for the following projects without prior approval from LACMTA: a. Project code 01-001, Santo Oro Local Street Improvements, amounting to \$1,954; b. Project code 01-002, Rule 20A Undergrounding, amounting to \$115; c. Project code 08-001, Administration for 01-001, amounting to \$446; d. Project code 08-002, Administration for 01-002, amounting to \$26; e. Project code 08-003, Administration for 02-001, amounting to \$613; and f. Project code 02-001, Traffic Signal Improvements on Amar Road, Various Locations, amounting to \$2,682.
Cause	Invoices were not submitted in a timely fashion by vendors (Project 01-001); Staff began preliminary work on projects (remaining projects) that were being budgeted for in the following fiscal year. LACMTA approval for the projects had yet to be received.
Effect	The City claimed expenditures totaling \$5,836 without prior approval from LACMTA. Lack of prior approval results in non-compliance which could impact future funding or result in questioned costs that require funding to be returned to LACMTA.
Recommendation	We recommend for the City to submit a revised Expenditure Plan (Form One) to obtain approval from LACMTA. In addition, the City should establish procedures and controls to ensure that approval is obtained from LACMTA prior to implementing any Measure R-funded projects.
Management's Response	The City has subsequently submitted a revised Expenditure Plan (Form One) to LACMTA and has received approval on December 13, 2016 for the above-mentioned projects. Additionally, staff will work to ensure that proper approval is obtained from LACMTA prior to project expenditures and will encourage vendors to submit invoices in a timely fashion.

Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2016
(Continued)

Finding #2016-010 (Continued)	City of La Puente
Finding Corrected During the Audit	LACMTA Program Manager granted retroactive approval of the said project on December 13, 2016. No additional follow up is required.

**Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2016
(Continued)**

Finding #2016-011	City of Lynwood
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 Project code 3.90, Pedestrian Improvements Around Various Schools, totaling \$1,079 with no prior approval from LACMTA.</p> <p>Based on our discussion with the Interim Finance Director, the expenditure was erroneously recorded under the MRLRF and the City intends to make the necessary adjustment in FY 2016/17.</p>
Cause	The City staff committed an error in recording this expenditure under MRLRF account.
Effect	The City claimed expenditures totaling \$1,079 without prior approval from LACMTA. The City is required to return the amount to the MRLRF.
Recommendation	We recommend for the City to reimburse its MRLRF account the amount of \$1,079. In addition, we recommend for the City to establish procedures and controls to ensure that only related transactions are recorded under the MRLRF account.
Management's Response	<p>For the Pedestrian Safety Improvement project, the funding source to be used was supposed to be an HSIP Grant rather than Measure R. Staff will work with Finance Department to make the reversal.</p> <p>The City will make the adjustment in FY 2016/17.</p>

Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2016
(Continued)

Finding #2016-012	City of Lynwood
Compliance Reference	Section B(II)(2) of the Measure R Local Return Program Guidelines states that "...Jurisdictions shall submit to LACMTA an Expenditure Report (Form Two), annually, by October 15 th (following the conclusion of the fiscal year)...."
Condition	The City submitted its Expenditure Report (Form Two) on November 13, 2015, which is beyond the due date set under the Guidelines.
Cause	The City lacks adequate procedures and controls to ensure that the Expenditure Report (Form Two) is submitted on time.
Effect	Expenditure Report (Form Two) was not submitted timely as required by the Guidelines.
Recommendation	We recommend for the City to establish procedures and controls to ensure that Expenditure Report (Form Two) is submitted by October 15 as required by the Guidelines.
Management's Response	There has been a significant turn-over in staffing. The City will designate a new staff member to monitor the timely submittal of the Expenditure Report (Form Two) of Measure R Local Return.
Finding Corrected During the Audit	The City subsequently submitted the form. No follow up is required.

**Los Angeles County Metropolitan Transportation Authority
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2016
 (Continued)**

Finding #2016-013	City of Montebello
Compliance Reference	<p>Measure R Local Return Program Guidelines Section A(II)(8) states that, "Transportation Administration expenditures are those administrative costs associated with and incurred for the aforementioned eligible projects/program. Direct administration expenditures includes those fully burdened costs that are directly associated with administering LR program or projects, and includes salaries and benefits, office supplies and equipment, and other overhead costs. All costs must be associated with developing, maintaining, monitoring, and coordinating, reporting and budgeting specific LR project(s). Expenditures must be reasonable and appropriate to the activities undertaken by the locality.</p> <p>On April 29, 2014, the LACMTA Local Return Program Manager issued a memo addressed to all Jurisdictions to provide clarification for adequate salary and related costs documentations for the audit of the Local Return funds.</p> <p>Below are recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines:</p> <ol style="list-style-type: none"> 1. All hours are required to be documented. Develop and/or maintain a system that will keep track of actual hours worked by employees whose salaries and benefits were charged to the LACMTA project. Expenditures claimed based solely on budgeted amounts is not considered adequate documentation because it does not reflect actual expenditures incurred on the LACMTA project and do not provide adequate evidence that labor hours charged has transit/transportation purpose. The record of hours worked must: a) identify the LACMTA project, b) be authenticated by the employee and approved by his/her immediate supervisor, and c) tie to hours reported in the payroll records. 2. Provide adequate support for indirect costs. For indirect expenditures allocated to LACMTA projects, develop and/or maintain a system that distributes allowable expenditures to projects based on causal or beneficial relationships. Expenditures cannot be claimed on LACMTA project if the expenditures are not allowable (i.e., not transportation or transit related) or not allocable to the LACMTA project (i.e., LACMTA project did not cause the incurrence of the expenditure or LACMTA project did not benefit from the expenditure).

Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2016
(Continued)

Finding #2016-013 (Continued)	City of Montebello
Condition	The City claimed labor overhead costs of \$49,280 under the MRLRF project code 8.10, Administrative Costs, which was based on budget estimate derived from a time study conducted 5 years ago. Per discussion with management, with the increasing labor and administrative cost, this amount is significantly lower than the actual administration cost that should have been charged to the program.
Cause	The City has not yet updated its overhead allocation rates based on current year information.
Effect	The administrative costs charged to these funds are not supported with an updated cost allocation plan.
Recommendation	We recommend that the City reimburse its MRLRF account the amount of \$49,280. In addition, we recommend for the City perform a more recent time study analysis to assess a more realistic estimate of the overhead costs for this program and perform an analysis to true-up the amount claimed at year-end to ensure that the claimed expenditures approximates the actual cost incurred.
Management Response	City will repay and charge appropriate administrative overhead after the cost allocation model is updated.
Finding Corrected During the Audit	The City has reimbursed the City's MRLRF account the amount of \$49,280 in FY 2016/17. No follow up is required.

Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2016
(Continued)

Finding #2016-014	City of Rosemead
Compliance Reference	<p>Section B (II) of Measure R Local Return Program Guideline states that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1st of each year.</p> <p>Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.</p>
Condition	<p>The City claimed expenditures for MRLRF project code 1.05, Montebello Blvd/Towne Center Drive Resurface, for \$5,443 with no prior approval from LACMTA.</p> <p>Although this project was previously approved in FY 2014/15, the City is still required to carry over the budget in Expenditure Plan (Form One) and have it approved for FY 2015/16.</p>
Cause	This finding was due to the City's understanding that this Montebello project was complete; however, there was a final invoice to be paid.
Effect	Measure R funds of \$5,443 were expended towards project expenditures without prior approval by the LACMTA.
Recommendation	We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on any local return-funded projects
Management's Response	The City subsequently obtained LACMTA approval in December 2016. The City has established procedures and controls to ensure that approval is obtained prior to spending funds. These procedures include Finance staff will set up and maintain a calendar for Metro deadlines, and also, Measure R warrant requests and invoices will be reviewed to make sure these approvals are in place before issuing a payment.
Finding Corrected During the Audit	LACMTA Program Manager granted a retroactive approval of this project on December 20, 2016. No follow up is required.

Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2016
(Continued)

Finding #2016-015	City of Rosemead
Compliance Reference	Section II (A) (15) of Measure R Local Return Program Guideline states that, "The administrative expenditures for any year shall not exceed 20 percent of the total LR annual expenditures, based on year-end expenditures, and will be subject to an audit finding if the figure exceeds 20 percent
Condition	The City's Measure R actual administration expenditures exceeded more than 20 percent of its MRLRF total annual expenditures by \$20,830.
Cause	There appears to be lack of interim review of the City's compliance with the Local Return Guidelines' 20 percent cap on the administrative expenditures that can be claimed under the local return fund.
Effect	The City's administrative expenses exceeded over 20 percent of the total annual local return expenditures and therefore, do not comply with the Guidelines. The City is required to reimburse the questioned cost of \$20,830 to the MRLRF account.
Recommendation	We recommend for the City to reimburse the questioned cost of \$20,830 to the MRLRF account. In addition, the City should establish procedures to ensure that administrative expenditures claimed under the local return funds be limited to 20 percent of the fund's total annual expenditures.
Management's Response	<p>The City needs to monitor the Measure R administrative expenditures on a monthly basis and at year end to determine if we have exceeded the 20% limit.</p> <p>The City did a Fiscal Year 2016/17 journal entry to transfer the excess administrative expenses of \$20,830 from the General Fund to the Measure R Fund. The Finance Director will work with Finance staff to establish procedures to ensure that the administrative expenditures claimed are limited to 20 percent of the fund's total annual expenditures in the future.</p>
Finding Corrected During the Audit	The City has reimbursed the City's MRLRF account the amount of \$20,830 in FY 2016/17. No follow up is required.

**Los Angeles County Metropolitan Transportation Authority
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2016
 (Continued)**

Finding #2016-016	City of South El Monte
Compliance Reference	According to Measure R Guidelines, Section B (VII. Audit Section), "Jurisdictions are required to expend their Measure R Local Return funds for transportation purposes, as defined by the Guidelines" and "It is the Jurisdictions' responsibility to maintain proper accounting records and documentation."
Condition	<p>During the fiscal year 2016, the City made payments to Arroyo Strategy Group under the MRLRF project code 4.90, SR-60 Coalition Work, totaling \$4,015.</p> <p>On June 2, 2016 the City of South El Monte ("City") provided a response to each finding in the Draft Report of Forensic Accountants, dated February 26, 2016 ("Draft Report"). The Draft Report was prepared to address issues identified by the City's independent auditor in a letter dated September 8, 2015 ("VLF Letter"). There are 14 findings in the Draft Report. In general, the findings relate to various contracts (i) between the City and OH Consulting Services, Inc. dba Arroyo Strategy Group ("Arroyo") and (ii) between the City and ECM Group, Inc. ("ECM"). The City has terminated its contract with Arroyo, effective June 30, 2016. With one exception, the City has terminated all contracts with ECM effective April 30, 2016.</p> <p>Below are the findings identified in the Draft Report prepared by the Forensic Accountants:</p> <p>Finding 1: <i>City management failed to subject Arroyo and ECM contracts to competition.</i></p> <p>Finding 2: <i>City management failed to require and inspect proper record keeping and document retention policies related to contractors' performance of contract.</i></p> <p>Finding 3: <i>City management failed to institute and enforce control procedures that would assure payments were not made in excess of contractual limits. City management failed to institute and enforce control procedures that would assure compliance with contractual hourly rates.</i></p> <p>Finding 4: <i>City management failed to maintain sufficient control over accounts payable and check disbursement procedures.</i></p> <p>Finding 5: <i>The City Manager executed three contracts (each in excess of \$25,000) and authorized payments of \$110,000 to Arroyo without City Council's approval.</i></p>

**Los Angeles County Metropolitan Transportation Authority
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2016
 (Continued)**

Finding #2016-016 (Continued)	City of South El Monte
Condition (Continued)	<p>Finding 6: <i>With City Council's unanimous approval, the City Manager executed a separate contract with Arroyo, with a three-year term, which contains no maximum fee provision, and which fails to grant the City customary audit rights. Although present at the meeting where this contract was approved, the City Attorney did not sign this contract.</i></p> <p>Finding 7: <i>Arroyo failed to allow inspection of its records, although obligated to do so in accordance with six of the contracts effective during the report period. In response to our inspection request, Arroyo asserted that it does not maintain any physical office location. Consequently, we were unable to perform an inspection of Arroyo's records, and were unable to analyze important quantitative aspects of Arroyo's performance, such as the hours of labor provided, the dates 011 which labor was supplied, and details of tasks performed.</i></p> <p>Finding 8: <i>With reference to contracts executed or pending during the fiscal year ended 06/30/15, between the City and ECM: the City Manager executed one contract and authorized payments of \$29,376 to ECM without City Council's approval.</i></p> <p>Finding 9: <i>ECM submitted false time and billing reports to the City, and received public funds on the basis of such false information.</i></p> <p>Finding 10: <i>No contract or supporting documents exist related to a number of special projects assigned to Arroyo, and for which Arroyo was paid.</i></p> <p>Finding 11: <i>Although specifically prohibited from reimbursement of expenses without prior written authorization, Arroyo tendered reimbursement claims, and was paid reimbursements of \$3,283 including expenses related to a trip to Sacramento, cables and electronics, and a room fee for the SR-60 Coalition meeting, without prior written authorization.</i></p> <p>Finding 12: <i>Timesheets submitted by Arroyo are unsubstantiated.</i></p> <p>Finding 13: <i>The ECM contracts were altered substantially without approval of the City Council.</i></p> <p>Finding 14: <i>Certain timesheets submitted by ECM are unsubstantiated.</i></p>

**Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2016
(Continued)**

Finding #2016-016 (Continued)	City of South El Monte
Cause	There was a breakdown in the internal controls over procurement at the City.
Effect	For fiscal year 2016, the reimbursements without proper supporting documentation and/or prior written authorization resulted in questioned costs of \$4,015. However, it is uncertain at this point how much of the expenditures in prior years should be questioned due to the findings enumerated above.
Recommendation	In accordance with the Guidelines, we recommend that the City reimburse its Measure R Local Return account \$4,015. We also recommend that the City establish controls to ensure that the expenditures charged to the Local Return funds are adequately supported by contracts, invoices, canceled checks or similar documentation and properly authorized so that the City's expenditures of Local Return funds will be in compliance with the Guidelines.
Management's Response	As of the date of this report, the City management has not provided a response to this finding.

**Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2016
(Continued)**

Finding #2016-017	City of South El Monte
Compliance Reference	Measure R Local Return Program Guidelines Section B(VII)(A) states that, "The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines: Verification that funds were expended with Metro's approval."
Condition	The City claimed expenditures for the following projects without prior approval from LACMTA: a. Project code 2.16, Rush and Peck Protected Left Turn Phases, amounting to \$1,742; and b. Project code 7.10, San Gabriel Valley Council of Governments (SGVCOG), amounting to \$3,218. The City submitted a revised Expenditure Plan (Form One) to the LACMTA Program Manager and obtained a retroactive approval of the said project on December 22, 2016.
Cause	The City lacks adequate procedures to ensure that a revised Expenditure Plan (Form One) is submitted to obtain approval prior to implementation of a Measure R-funded project.
Effect	The City claimed expenditures totaling \$4,960 without prior approval from LACMTA. Lack of prior approval results in non-compliance which could impact future funding or result in questioned costs that require funding to be returned to LACMTA.
Recommendation	We recommend for the City to submit a revised Expenditure Plan (Form One) to obtain approval from LACMTA. In addition, the City should establish procedures and controls to ensure that approval is obtained from LACMTA prior to implementing any Measure R-funded projects.
Management's Response	As of the date of this report, the City management has not provided a response to this finding.
Finding Corrected During the Audit	LACMTA Program Manager granted a retroactive approval of this project on December 22, 2016. No follow up is required.

**Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2016
(Continued)**

Finding #2016-018	City of South El Monte
Compliance Reference	Section B(II)(2) of the Measure R Local Return Program Guidelines states that "...Jurisdictions shall submit to LACMTA an Expenditure Report (Form Two), annually, by October 15 th (following the conclusion of the fiscal year)...."
Condition	The City submitted its Expenditure Report (Form Two) on November 7, 2016, which is beyond the due date set under the Guidelines.
Cause	The City lacks adequate procedures and controls to ensure that the Expenditure Report (Form Two) is submitted on time.
Effect	Form Two (Expenditure Report) was not submitted timely as required by the Guidelines.
Recommendation	We recommend for the City to establish procedures and controls to ensure that Expenditure Report (Form Two) is submitted by October 15 as required by the Guidelines.
Management's Response	As of the date of this report, the City management has not provided a response to this finding.
Finding Corrected During the Audit	The City subsequently submitted the form. No follow up is required.



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**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, 2016



Simpson & Simpson, LLP
Certified Public Accountants

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

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

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

Report on Compliance

We have audited the compliance of the forty-nine (49) 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 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure R Local Return Funds, executed by LACMTA and the respective Cities for the year ended June 30, 2016 (collectively, the Requirements). Compliance with the above noted Guidelines and Requirements by the Cities are identified in the accompanying Summary of Compliance Findings, Schedule 1 and Schedule 2.

Management's Responsibility

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

Auditor's Responsibility

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

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





Opinion

In our opinion, the Cities complied, in all material respects, with the Guidelines and Requirements referred to above that could have a direct and material effect on the Measure R Local Return program for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and Requirements and which are described in the accompanying Summary of Measure R Audit Results (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2016-001 through #2016-011. Our opinion is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

The management of each City is responsible for establishing and maintaining effective internal control over compliance with the Guidelines and Requirements referred to above. In planning and performing our audits of compliance, we considered each City's internal control over compliance with the Guidelines and Requirements that could have a direct and material effect on the Measure R Local Return program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Guidelines and Requirements, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of each City's 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 Guidelines and Requirements on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance under the Guidelines and Requirements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines and Requirements that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as Findings #2016-002 and #2016-009 that we consider to be significant deficiencies.



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

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

Simpson & Simpson

Los Angeles, California
December 30, 2016

**Los Angeles County Metropolitan Transportation Authority
Summary of Compliance Findings
Fiscal Year Ended June 30, 2016**

The audit of the 49 cities identified in Schedule 1 have resulted in 11 findings. The table below shows a summary of the findings:

Finding	# of Findings	Responsible Cities/ Finding Reference	Questioned Costs	Resolved During the Audit
No adequate evidence that funds were expended for transportation purposes	4	Downey (#2016-002) West Covina (#2016-008) West Covina (#2016-009) Whittier (#2016-010)	\$ 20,293 None 51,455 None	None None None None
Funds were expended without LACMTA's approval	3	El Segundo (#2016-004) Redondo Beach (#2016-007) Whittier (#2016-011)	7,214 3,851 4,457	\$ 7,214 3,851 4,457
Expenditure Report (Form One) was not submitted on time	1	El Segundo (#2016-003)	None	None
Expenditure Report (Form Two) was not submitted on time	3	Artesia (#2016-001) El Segundo (#2016-005) Hawaiian Gardens (#2016-006)	None	None
Total Findings and Questioned Cost	11		\$ 87,270	\$ 15,522

Details of the findings are in Schedule 2.

**Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2016**

Compliance Area Tested	Alhambra	Arcadia	Artesia
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	See Finding #2016-001
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
 Summary of Measure R Audit Results
 Fiscal Year Ended June 30, 2016
 (Continued)**

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

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2016
(Continued)

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

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2016
(Continued)

Compliance Area Tested	Covina	Diamond Bar	Downey
Funds were expended for transportation purposes	Compliant	Compliant	See Finding #2016-002
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2016
(Continued)

Compliance Area Tested	Duarte	El Segundo	Glendale
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	See Finding #2016-004	Compliant
Expenditure Plan (Form One) was submitted on time.	Compliant	See Finding #2016-003	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	See Finding #2016-005	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2016
(Continued)

Compliance Area Tested	Glendora	Hawaiian Gardens	Hermosa Beach
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	See Finding #2016-006	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2016
(Continued)

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

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2016
(Continued)

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

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2016
(Continued)

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

**Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2016
(Continued)**

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

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2016
(Continued)

Compliance Area Tested	Palmdale	Palos Verdes Estates	Paramount
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 unless there is a funding shortfall.	Compliant	Not Applicable	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Not Applicable	Compliant
Expenditure Plan (Form One) was submitted on time.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Not Applicable	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2016
(Continued)

Compliance Area Tested	Pasadena	Rancho Palos Verdes	Redondo Beach
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 unless there is a funding shortfall.	Not Applicable	Not Applicable	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Not Applicable	Not Applicable	See Finding #2016-007
Expenditure Plan (Form One) was submitted on time.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Not Applicable	Not Applicable	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2016
(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 unless there is a funding shortfall.	Not Applicable	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Not Applicable	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Not Applicable	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2016
(Continued)

Compliance Area Tested	San Gabriel	San Marino	Santa Clarita
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 unless there is a funding shortfall.	Compliant	Not Applicable	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Not Applicable	Compliant
Expenditure Plan (Form One) was submitted on time.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Not Applicable	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2016
(Continued)

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

**Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2016
(Continued)**

Compliance Area Tested	Temple City	Torrance	West Covina
Funds were expended for transportation purposes	Not Applicable	Compliant	See Finding #2016-008 #2016-009
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Not Applicable	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Not Applicable	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Not Applicable	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2016
(Continued)**

Compliance Area Tested	Whittier
Funds were expended for transportation purposes	See Finding #2016-010
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant
Signed Assurances and Understandings on file.	Compliant
Separate Measure R Local Return Account was established.	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant
Funds were expended with LACMTA's approval.	See Finding #2016-011
Expenditure Plan (Form One) was submitted on time.	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant
Timely use of funds	Compliant
Administrative expenditures are within the 20% cap.	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable
Recreational transit form was submitted on time.	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2016**

Finding #2016-001	City of Artesia
Compliance Reference	According to Measure R Guidelines, Section B (II.2), "Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2016 deadline for submission of Expenditure Report (Form Two). The City did not submit the Form Two to LACMTA as of December 14, 2016.
Cause	This was caused due to an oversight by City personnel.
Effect	The City's Form Two was not submitted.
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 is actually aware of this deadline, thought this task had been done, and will submit. City will establish a procedure for ensuring that this is done timely.

**Los Angeles County Metropolitan Transportation Authority
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2016
 (Continued)**

<p>Finding #2016-002</p>	<p>City of Downey</p>
<p>Compliance Reference</p>	<p>According to Measure R Local Return Guidelines, Section II, “A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance” and Section V, “It is jurisdictions’ responsibility to maintain proper accounting records and documentation...”In addition, LACMTA Local Return Program Manager issued a memo dated on April 29, 2014 to jurisdictions to provide recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines, those recommendations are “that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.” Also, “(4) Where employees work on multiple activities or cost objectives, a distribution or their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</p> <p style="padding-left: 40px;">(b) A Federal award and non-Federal award.</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p style="padding-left: 40px;">(b) They must reflect an after the fact distribution of the actual activity of each employee,</p> <p style="padding-left: 40px;">(f) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised as least quarterly, if necessary, to reflect changed circumstances.”</p>

**Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2016
(Continued)**

Finding #2016-002 (Continued)	City of Downey
Condition	To support the propriety of expenditures being charged to Measure R Local Return Fund, payroll expenditures should be supported by properly executed payrolls, time records, activity reports, vouchers, or other official documentation evidencing in proper detail the nature of the charges. However, the total payroll expenditures of \$20,293 for Measure R for Administration were based on an estimate of a percentage of time spent on Measure R activity rather than employee's actual working hours spent for the project. The City was unable to provide adequate documentation (i.e. timesheet, payroll register, and labor distribution summary to support the indirect costs allocations).
Cause	The City allocates administrative charges for management that was based on a time study from prior years. Those same percentages have been used in prior fiscal years and also, in fiscal year 2015-16.
Effect	The payroll costs claimed under the Measure R Local Return Fund project may include expenditures which may not be an allowable Measure R project expenditures. This resulted in questioned costs of \$20,293.
Recommendation	In accordance with the Guidelines, we recommend for the City reimburse its Measure R Local Return Fund account by \$20,293. In addition, we recommend that the City revise its current labor costs reporting procedures to ensure that labor costs charged to Local Return Funds are adequately supported by time sheets or similar documentation which includes employees' actual working hours.
Management's Response	Management agrees with the audit results. The City has engaged Matrix Consulting to complete a cost allocation study which started in November 2016. The cost allocation study will be completed by March 2017 and submitted to our cognizant agency for OMB approval.

Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2016
(Continued)

Finding #2016-003	City of El Segundo
Compliance Reference	According to Measure R Guidelines, Section B (II.1), "Jurisdictions shall submit a Form One, to LACMTA annually, by August 1 or each year.
Condition	The City did not meet the August 1, 2015 deadline for submission of Form One. The City has not submitted the Form One. However, on December 28, 2016 the City submitted the Form One (Expenditure Plan) to the LACMTA Program Manager and received subsequent approval on December 30, 2016.
Cause	The City has gone through a turnover of staff in various departments which has caused the oversight.
Effect	The City's Expenditure Plan (Form One) was not submitted timely. The City was not in compliance with the Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Form One (Expenditure Plan) is properly prepared and submitted prior to the August 1 deadline and that the City retain a confirmation of receipt by LACMTA to comply with the Guidelines.
Management's Response	The City has hired and assigned a staff person who has established new processes to ensure internal controls are in place to meet the required reporting deadlines and proper record retention.
Finding Corrected During the Audit	The City subsequently submitted the Form One on December 28, 2016. No follow up is required.

Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2016
(Continued)

Finding #2016-004	City of El Segundo
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.1), "Form One provides a listing of projects funded with Measure R Local Return funds along with estimated expenditures for the year" and "LACMTA will provide Local Return funds to a capital project or program sponsor who submits the required expenditure plan containing the following: (1) The estimated total cost for each project and/or program activity."
Condition	The Form One (Expenditure Plan) was not submitted by the required deadline. As such, the expenditures charged to the MRLRF in the amount of \$7,214 were incurred prior to LACMTA's project approval for FY 2016. However, on December 30, 2016 the City submitted the Form One (Expenditure Plan) to the LACMTA Program Manager and received a retroactive approval on December 30, 2016.
Cause	The City has gone through a turnover of staff in various departments which has caused the oversight.
Effect	The expenditures charged to the Imperial Highway Overlay project were allowable costs per Measure R Guidelines, however, due to the late submission of the annual Form One, the City did not receive prior approval from LACMTA to incur the expenditures on that project.
Recommendation	We recommend that the City establish procedures to ensure that the Form One (Expenditure Plan) is properly prepared and submitted prior to the August 1, deadline and the City retain a confirmation of receipt by LACMTA to comply with the Guidelines.
Management's Response	The City has hired and assigned a staff person who has established new processes to ensure internal controls are in place to meet the required reporting deadlines and proper record retention.
Finding Corrected During the Audit	LACMTA Program Manager granted a retroactive approval of this project on December 30, 2016. No follow is required.

Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2016
(Continued)

Finding #2016-005	City of El Segundo
Compliance Reference	According to Measure R Guidelines, Section B (II.2), "Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2016 deadline for submission of Form Two. However, on December 30, 2016 the City submitted the Form Two (Expenditure Report) to the LACMTA program manager.
Cause	The City has gone through a turnover of staff in various departments which has caused the oversight.
Effect	The City's Form Two was not submitted timely in accordance with the Guidelines.
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 the City retain a confirmation of receipt by LACMTA to comply with the Guidelines.
Management's Response	The City has hired and assigned a staff person who has established new processes to ensure internal controls are in place to meet the required reporting deadlines and proper record retention.
Finding Corrected During the Audit	The City subsequently submitted the Form Two on December 30, 2016. No follow up is required.

Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2016
(Continued)

Finding #2016-006	City of Hawaiian Gardens
Compliance Reference	According to Measure R Guidelines, Section B (II.2), "Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2016 deadline for submission of Expenditure Report Form Two to LACMTA. The City subsequently submitted the Form Two on October 31, 2016.
Cause	The City did not have procedures in place to ensure that Form Two was filed timely.
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 before the due date of October 15th so that the City's expenditures of the Measure R Local Return Fund will be in accordance with LACMTA's approval and the guidelines. Furthermore, we recommend that the City retain a confirmation of receipt by LACMTA to indicate the Form Two was submitted in a timely manner.
Management's Response	The Finance Director took on the City Manager responsibilities when the City Manager resigned and this resulted in some items being missed, including the submission of the form. When the form was submitted to LACMTA, the City encountered some difficulties with the emails not going through. The City faxed the forms instead.
Finding Corrected During the Audit	The City subsequently submitted the Form Two on October 31, 2016. No follow up is required.

Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2016
(Continued)

Finding #2016-007	City of Redondo Beach
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.1), "Form One provides a listing of projects funded with Measure R Local Return funds along with estimated expenditures for the year" and "LACMTA will provide Local Return funds to a capital project or program sponsor who submits the required expenditure plan containing the following: (1) The estimated total cost for each project and/or program activity."
Condition	The expenditures for the Pavement Management Study project in the amount of \$3,851 were incurred prior to LACMTA's project approval for FY 2016. However, the project was subsequently approved by LACMTA on December 16, 2016.
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 2015; therefore, the City did not include this project on Form One for FY 2016.
Effect	The Expenditures for Measure R Local Return programs were incurred without LACMTA's project approval for FY 2016.
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. In accordance with the Guidelines, the City should include all new, amended, ongoing, and carryover projects in the Form One.
Management's Response	The City had approved Measure R projects in FY14 and FY15 to perform Pavement Management Surveys (PMS). The contractor's final invoice for the PMS, was submitted to the City in November 2015, which was paid in FY16. In the future, the City will carefully review all prior year project progress to ensure inclusion in the next year's Local Return Project approval requests.
Finding Corrected During the Audit	LACMTA Program Manager granted retroactive approval of the said project on December 16, 2016. No follow up is required.

Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2016
(Continued)

Finding #2016-008	City of West Covina
Compliance Reference	According to Measure R Local Return Guidelines, Section VII "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these guidelines..." In addition, Government Auditing Standards Section 5.26 lists examples of matters that may be reportable conditions: "e.g.: evidence of failure to perform tasks that are part of internal control, such as reconciliations not prepared or not timely prepared." Good internal controls require that cash be reconciled at least monthly and material reconciling items be properly supported."
Condition	During our review of the June 30, 2016 bank reconciliation, we noted that the bank balance and accounting records had an unreconciling difference of \$93,951. Therefore, the bank reconciliation was not prepared properly and may not reflect the actual City-wide cash account balance at June 30, 2016.
Cause	In 2014, the Finance Department lost most of their Accounting staff due to retirement and attrition. It was not until mid-2015 that most of the accounting positions were permanently filled. This caused delays in performing the bank reconciliations.
Effect	The cash balance cannot be validated at June 30, 2016. Without a June 30, 2016 reconciliation of cash, there is a high risk of errors.
Recommendation	In accordance with the Guidelines, we recommend the City establish procedures and controls to ensure all bank reconciliation are properly performed and supported on a timely basis. In addition, we recommend the City to ensure that the individual(s) responsible for reconciling the bank balance to the general ledger cash balance have adequate training and knowledge of bank reconciliations.
Management's Response	The City Acknowledges the importance of bank reconciliations that are completed, reviewed and approved timely. A new and improved bank reconciliation format is in place and is reviewed upon completion by the Accounting Manager. While staff has prepared the bank reconciliation for the general account through June 2016, there are variances that still need to be reconciled. On October 17, 2016, the consultant that is familiar with the software and who last reconciled the general checking account provided training to the Accountants to help resolve the remaining variances. It is anticipated that the bank reconciliations will be completed and timely for the FY 2016-17 audit.

**Los Angeles County Metropolitan Transportation Authority
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2016
 (Continued)**

Finding #2016-009	City of West Covina
Compliance Reference	<p>According to Measure R Local Return Guidelines, Section I, “The Measure R Ordinance specifies that Local Return funds are to be used for transportation purposes. No net revenue distributed to Jurisdictions may be used for purposes other than transportation purposes.” and Section VII “It is the jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of audit prescribed in the guidelines. “ In addition, LACMTA Local Return Program Manager issued a memo dated April 29, 2014 to jurisdiction to provide recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Returns Guidelines, those recommendations are “that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.” Also, “(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system. (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</p> <p style="padding-left: 40px;">(b) A Federal award and non-Federal award.</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p style="padding-left: 40px;">(b) They must reflect an after the fact distribution of the actual activity of each employee,</p> <p style="padding-left: 40px;">(f) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distribution based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.”</p>

**Los Angeles County Metropolitan Transportation Authority
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2016
 (Continued)**

Finding #2016-009 (Continued)	City of West Covina
Condition	To support the propriety of expenditures being charged to Measure R Local Return Fund, payroll should be supported by properly executed payrolls, time records, activity reports, vouchers or other documentation evidencing in proper detail the nature of the charges. However, the salaries and benefits charged to SP15106 Street Rehabilitation Project Code 01-007 amounting to \$5,995 and Fund Administration Project Code 08-001 amounting to \$45,460 were based on distribution percentages determined before the services were performed.
Cause	The City stated that it was not aware that its practice of allocating salaries and benefits to a project was not adequate support for labor costs claimed. Furthermore, the new cost allocation plan was delayed for numerous reasons: 1) The City attempted to hire a consultant to prepare a new cost allocation plan in July 2014, but was unable to settle on a contract with the vendor; 2) The Finance Director at the time then left the City and a new one was not hired until April 15; and 3) in July 2015, the new Finance Director got direction from the City Council to issue a new RFP and continue with the project.
Effect	The cost claimed under the Measure R Local Return Fund project may include expenditures which may not be an allowable Measure R project expenditure. This resulted in questioned costs of \$51,455
Recommendation	In accordance with the Guidelines, we recommend that the City reimburse its Measure R Local Return Fund account by \$51,455. In addition, we recommend that the City revise its current labor costs reporting procedures to ensure that labor costs charged to the Local Return Funds are adequately supported.
Management's Response	This compliance issue was not previously presented to the City and the City's practice has been consistent for numerous years. Since receiving the letter in April 2014, which is mentioned in the Compliance Reference section, City staff issued a RFP to hire a consultant to develop a new cost allocation plan for the City. The contract was awarded in September 2015 and the plan was completed in time to be incorporation in FY 2016-17 budget. As a result of another audit finding, staff is now tracking their time on timesheets as oppose to being allocated automatically in payroll. In June 2016, Finance staff conducted a timesheet audit and has incorporated proper internal controls to ensure approved timesheet are submitted to Finance. All of these issues have been resolved moving forward, but the recommendation to return \$51,455 would be a hardship on the City.

Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2016
(Continued)

Finding #2016-010	City of Whittier
Compliance Reference	According to Local Return Guidelines, Section V, "It is jurisdictions' responsibility to maintain proper accounting records and documentation..." and this requires a system of internal control that can be carried out as prescribed by the established accounting policies and procedures. Written accounting policies and procedures provide a system that accurately measures business activities, processes that information into reports, and communicates these findings to decision makers.
Condition	The City did not provide written accounting policies and procedures when requested.
Cause	City has written desk procedures for the various accounting functions.
Effect	Without written accounting policies and procedures, there is the potential for increased risk of inaccurate and unreliable financial records and misstated financial reports.
Recommendation	We recommend that the City establish written accounting policies and procedures to ensure accurate recording and reporting of financial activities.
Management's Response	City has desk procedures in place and management will re-evaluate policies and procedures.

Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2016
(Continued)

Finding #2016-011	City of Whittier
Compliance Reference	According to Measure R Local Return Guidelines, Section B.VII.A, Financial and Compliance Provisions, "The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines: Verification that funds were expended with Metro's approval."
Condition	The expenditure for MRLRF's Project Code 1.05, Janine Drive from La Serna to Santa Gertrudes Avenue Asphalt Overlay, in the amount of \$4,457 were incurred prior to the approval from LACMTA for fiscal year 2015-16. However, the City subsequently received LACMTA's approval on the Measure R project on September 29, 2016.
Cause	Staff believed that the initial approval was sufficient to complete the project.
Effect	The City did not comply with the Guidelines when expenditures for MRLRF projects are incurred without LACMTA's approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from LACMTA prior to implementing any Measure R Local Return projects. Form One (Annual Project Budget Report) should be properly prepared so that the City's expenditures of Measure Local Return Funds are in accordance with LACMTA's approval and the Guidelines. In accordance with the Guidelines, the City should include all approved on-going and carryover Local Return projects in Form One.
Management's Response	City received project approval but will direct staff to obtain additional authorization before expenditures are incurred.
Finding Corrected During the Audit	LACMTA Program Manager granted retroactive approval of the said project on September 29, 2016. No follow up is required.