



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS
APPLICABLE TO PROPOSITION A AND PROPOSITION C
ORDINANCES AND PROPOSITION A AND PROPOSITION C
LOCAL RETURN GUIDELINES**

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2018



Simpson & Simpson, LLP
Certified Public Accountants

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Consolidated Audit Report
Fiscal Year Ended June 30, 2018**

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SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO PROPOSITION A AND PROPOSITION C ORDINANCES AND
PROPOSITION A AND PROPOSITION C LOCAL RETURN GUIDELINES**

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

Report on Compliance

We have audited the compliance of the forty-nine (49) Cities and the County of Los Angeles (the County) identified in Schedule 1, with the types of compliance requirements described in the Proposition A and Proposition C Ordinances enacted through a Los Angeles County voter approved law in November 1980 and November 1990, respectively; Proposition A and Proposition C Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (LACMTA), approved by its Board of Directors in FY 2006-07 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Proposition A and Proposition C Local Return Funds, executed by LACMTA and the respective Cities and the County for the year ended June 30, 2018 (collectively, the Requirements). Compliance with the above noted Guidelines and Requirements by the Cities and the County are identified in the accompanying Summary of Compliance Findings, Schedule 1 and Schedule 2.

Management's Responsibility

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

Auditor's Responsibility

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

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





Opinion

In our opinion, the Cities and the County complied, in all material respects, with the Guidelines and Requirements referred to above that could have a direct and material effect on the Proposition A and Proposition C Local Return programs for the year ended June 30, 2018.

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 Audit Results (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2018-001 through #2018-032. Our opinion is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance under the Guidelines and Requirements on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance under the Guidelines and Requirements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2018-005 and #2018-006 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 consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2018-008, #2018-012, #2018-023, #2018-028, and #2018-029 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 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.

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

Los Angeles, California
December 31, 2018

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Compliance Findings
Fiscal Year Ended June 30, 2018**

The audits of the 49 cities and the County identified in Schedule 1 have resulted in 32 findings. The table below shows a summary of the findings:

Finding	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs		Resolved During the Audit
			PALRF	PCLRF	
No timely use of funds.	2	Bradbury (#2018-001) Redondo Beach (#2018-018)	N/A N/A	\$ 5,611 403,818	\$ 5,611 403,818
Funds were expended without LACMTA's approval.	1	Redondo Beach (#2018-019)	N/A	44,888	44,888
Total annual expenditures exceeded more than 25% of the approved budget.	9	Cerritos (#2018-003) Claremont (#2018-004) Glendora (#2018-009) La Cañada Flintridge (#2018-011) La Verne (#2018-013) San Gabriel (#2018-021) San Marino (#2018-022) Sierra Madre (#2018-025) Signal Hill (#2018-026)	N/A N/A - - - - - - -	- - N/A N/A N/A N/A N/A N/A N/A	- - - - - - - - -
Annual Project Summary Report (Form B) was not submitted on time.	5	Palos Verdes Estates (#2018-017) San Dimas (#2018-020) San Marino (#2018-023) Signal Hills (#2018-027) South Pasadena (#2018-029)	- - - - -	- - - - -	- - - - -
No adequate evidence that funds were expended for transportation purposes.	7	Burbank (#2018-002) Downey (#2018-005) Downey (#2018-006) Glendora (#2018-010) Manhattan Beach (#2018-015) Norwalk (#2018-016) Signal Hill (#2018-028)	\$ 8,074 300,557 126,690 8,684 20,346 N/A 15,458	N/A 40,349 N/A N/A N/A 2,616 N/A	8,074 - - - - 2,616 -

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Compliance Findings
Fiscal Year Ended June 30, 2018**

Finding	# of Findings	Responsible Cities/ Finding Reference	Questioned Costs		Resoled During the Audit
			PALRF	PCLRF	
Accounting procedures, record keeping, and documentation are adequate.	5	Duarte (#2018-008) La Cañada Flintridge (#2018-012) San Marino (#2018-024) South Pasadena (#2018-030) Temple City (#2018-031)	- - - - -	- - N/A - N/A	- - - - -
Administrative expenses exceeded the 20% cap.	1	Whittier (#2018-032)	N/A	\$ 39,817	\$ 39,817
Recreational transit form was not submitted on time.	2	Downey (#2018-007) Lancaster (#2018-014)	- -	N/A N/A	- -
Total Findings and Questioned Cost	32		\$ 479,809	\$ 537,099	\$ 504,824

- 1) N/A – No finding.
- 2) Details of the findings are in Schedule 2.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Audit Results
Fiscal Year Ended June 30, 2018**

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

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Audit Results
Fiscal Year Ended June 30, 2018
(Continued)**

Compliance Area Tested	Avalon	Bellflower	Bradbury
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	PA: Compliant PC: #2018-001
Funds expended were approved and have not been substituted for property tax.	Compliant	Compliant	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).	Not Applicable	Compliant	Compliant
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Not Applicable	Compliant	Compliant
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted on time.	Compliant	Compliant	Compliant
Annual Expenditure Report (Form C) was submitted on time.	Compliant	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	Compliant	Compliant	Compliant
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	Not Applicable	Compliant	Not Applicable
Local Return Account is credited for reimbursable expenditures.	Compliant	Compliant	Compliant
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Audit Results
Fiscal Year Ended June 30, 2018
(Continued)**

Compliance Area Tested	Burbank	Cerritos	Claremont
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	Compliant	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).	Compliant	PA: Compliant PC: #2018-003	PA: Compliant PC: #2018-004
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	Not Applicable	Compliant
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted on time.	Compliant	Compliant	Compliant
Annual Expenditure Report (Form C) was submitted on time.	Compliant	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	PA: #2018-002 PC: Compliant	Compliant	Compliant
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	Not Applicable	Compliant	Not Applicable
Local Return Account is credited for reimbursable expenditures.	Compliant	Compliant	Compliant
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational transit form was submitted on time.	Not Applicable	Compliant	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Audit Results
Fiscal Year Ended June 30, 2018
(Continued)**

Compliance Area Tested	Covina	Diamond Bar	Downey
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	Compliant	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	Compliant	Compliant
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted on time.	Compliant	Compliant	Compliant
Annual Expenditure Report (Form C) was submitted on time.	Compliant	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	Compliant	Compliant	#2018-005 (PA & PC) #2018-006: (PA only, PC: Compliant)
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	Compliant	Compliant	Compliant
Local Return Account is credited for reimbursable expenditures.	Compliant	Compliant	Compliant
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Compliant	Compliant
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational transit form was submitted on time.	Compliant	Compliant	PA: #2018-007 PC: Compliant

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Audit Results
Fiscal Year Ended June 30, 2018
(Continued)**

Compliance Area Tested	Duarte	El Segundo	Glendale
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	Compliant	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	Compliant	Compliant
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted on time.	Compliant	Compliant	Compliant
Annual Expenditure Report (Form C) was submitted on time.	Compliant	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	See Finding #2018-008	Compliant	Compliant
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	Compliant	Not Applicable	Compliant
Local Return Account is credited for reimbursable expenditures.	Not Applicable	Compliant	Compliant
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Audit Results
Fiscal Year Ended June 30, 2018
(Continued)**

Compliance Area Tested	Glendora	Hawaiian Gardens	Hermosa Beach
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	Compliant	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).	PA: #2018-009 PC: Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	Compliant	Compliant
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted on time.	Compliant	Compliant	Compliant
Annual Expenditure Report (Form C) was submitted on time.	Compliant	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	PA: #2018-010 PC: Compliant	Compliant	Compliant
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	Compliant	Compliant	Compliant
Local Return Account is credited for reimbursable expenditures.	Compliant	Compliant	Compliant
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Compliant
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational transit form was submitted on time.	Compliant	Not Applicable	Compliant

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Audit Results
Fiscal Year Ended June 30, 2018
(Continued)**

Compliance Area Tested	La Cañada Flintridge	La Habra Heights	La Mirada
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	Compliant	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).	PA: #2018-011 PC: Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	Compliant	Not Applicable
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted on time.	Compliant	Compliant	Compliant
Annual Expenditure Report (Form C) was submitted on time.	Compliant	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	See Finding #2018-012	Compliant	Compliant
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	Compliant	Compliant	Compliant
Local Return Account is credited for reimbursable expenditures.	Compliant	Compliant	Compliant
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Compliant	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational transit form was submitted on time.	Not Applicable	Compliant	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Audit Results
Fiscal Year Ended June 30, 2018
(Continued)**

Compliance Area Tested	La Verne	Lakewood	Lancaster
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	Compliant	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).	PA: #2018-013 PC: Compliant	Compliant	Not Applicable
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	Compliant	Compliant
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted on time.	Compliant	Compliant	Compliant
Annual Expenditure Report (Form C) was submitted on time.	Compliant	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	Compliant	Compliant	Compliant
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	Compliant	Compliant	Compliant
Local Return Account is credited for reimbursable expenditures.	Not Applicable	Not Applicable	Compliant
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Compliant	Compliant
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational transit form was submitted on time.	Compliant	Compliant	PA: #2018-014 PC: Compliant

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Audit Results
Fiscal Year Ended June 30, 2018
(Continued)**

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

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Audit Results
Fiscal Year Ended June 30, 2018
(Continued)**

Compliance Area Tested	Los Angeles County	Manhattan Beach	Monrovia
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	Compliant	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	Compliant	Compliant
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted on time.	Compliant	Compliant	Compliant
Annual Expenditure Report (Form C) was submitted on time.	Compliant	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	Compliant	PA: #2018-015 PC: Compliant	Compliant
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	Compliant	Compliant	Compliant
Local Return Account is credited for reimbursable expenditures.	Compliant	Compliant	Compliant
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Compliant	Compliant	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational transit form was submitted on time.	Compliant	Compliant	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Audit Results
Fiscal Year Ended June 30, 2018
(Continued)**

Compliance Area Tested	Norwalk	Palmdale	Palos Verdes Estates
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	Compliant	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).	Compliant	Not Applicable	Compliant
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	Not Applicable	Compliant
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted on time.	Compliant	Compliant	See Finding #2018-017
Annual Expenditure Report (Form C) was submitted on time.	Compliant	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	PA: Compliant PC: #2018-016	Compliant	Compliant
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	Compliant	Compliant	Compliant
Local Return Account is credited for reimbursable expenditures.	Compliant	Compliant	Compliant
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Compliant	Compliant	Compliant
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational transit form was submitted on time.	Not Applicable	Compliant	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Audit Results
Fiscal Year Ended June 30, 2018
(Continued)

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

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Audit Results
Fiscal Year Ended June 30, 2018
(Continued)**

Compliance Area Tested	Redondo Beach	Rolling Hills	Rolling Hills Estates
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	PA: Compliant PC: #2018-018	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	PA: Compliant PC: #2018-019	Not Applicable	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).	Compliant	Not Applicable	Compliant
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	Not Applicable	Compliant
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted on time.	Compliant	Compliant	Compliant
Annual Expenditure Report (Form C) was submitted on time.	Compliant	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	Compliant	Compliant	Compliant
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	Compliant	Not Applicable	Compliant
Local Return Account is credited for reimbursable expenditures.	Compliant	Compliant	Compliant
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Compliant
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational transit form was submitted on time.	Compliant	Not Applicable	Compliant

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

Compliance Area Tested	San Dimas	San Gabriel	San Marino
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	Compliant	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).	Compliant	PA: #2018-021 PC: Compliant	PA: #2018-022 PC: Compliant
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	Compliant	Not Applicable
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted on time.	See Finding #2018-020	Compliant	See Finding #2018-023
Annual Expenditure Report (Form C) was submitted on time.	Compliant	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	Compliant	Compliant	PA: #2018-024 PC: Compliant
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	Compliant	Compliant	Compliant
Local Return Account is credited for reimbursable expenditures.	Compliant	Compliant	Not Applicable
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational transit form was submitted on time.	Compliant	Compliant	Compliant

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Audit Results
Fiscal Year Ended June 30, 2018
(Continued)**

Compliance Area Tested	Santa Clarita	Sierra Madre	Signal Hill
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	Compliant	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).	Not Applicable	PA: #2018-025 PC: Compliant	PA: #2018-026 PC: Compliant
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Not Applicable	Compliant	Compliant
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted on time.	Compliant	Compliant	See Finding #2018-027
Annual Expenditure Report (Form C) was submitted on time.	Compliant	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	Compliant	Compliant	PA: #2018-028 PC: Compliant
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	Compliant	Compliant	Not Applicable
Local Return Account is credited for reimbursable expenditures.	Compliant	Compliant	Compliant
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Compliant	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational transit form was submitted on time.	Compliant	Not Applicable	Compliant

**Los Angeles County Metropolitan Transportation Authority
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Fiscal Year Ended June 30, 2018
(Continued)**

Compliance Area Tested	South Pasadena	Temple City	Torrance
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	Compliant	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	Compliant	Compliant
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted on time.	See Finding #2018-029	Compliant	Compliant
Annual Expenditure Report (Form C) was submitted on time.	Compliant	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	See Finding #2018-030	PA: #2018-031 PC: Compliant	Compliant
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	Compliant	Not Applicable	Compliant
Local Return Account is credited for reimbursable expenditures.	Compliant	Compliant	Compliant
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Compliant	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational transit form was submitted on time.	Compliant	Compliant	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
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Fiscal Year Ended June 30, 2018
(Continued)**

Compliance Area Tested	West Covina	Whittier
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant
Timely use of funds.	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).	Compliant	Compliant
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	PA: Compliant PC: #2018-032
All on-going and carryover projects were reported in Form B.	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted on time.	Compliant	Compliant
Annual Expenditure Report (Form C) was submitted on time.	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	Compliant	Compliant
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	Compliant	Compliant
Local Return Account is credited for reimbursable expenditures.	Compliant	Compliant
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant
Recreational transit form was submitted on time.	Compliant	Compliant

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PCLRF Finding #2018-001	City of Bradbury
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines Section IV. E. Timely Use of Funds, "...Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds."
Condition	A portion of the City's fiscal year 2015 ending fund balance in the amount of \$5,611 was not fully expended within 3 years as of June 30, 2018 and it was not reserved for capital projects as required by Proposition A and Proposition C Local Return Guidelines. However, on November 8, 2018, LACMTA granted the City an extension on the usage of lapsed funds until June 30, 2019.
Cause	The City is very small and has few roads that are eligible for funding. The major share of street work is the citywide slurry seal project that is only necessary every five years.
Effect	Untimely review of the funding status from the prior year allocation could result in losing the funding.
Recommendation	In order to avoid future lapsed funds, we recommend the City establish a policy and process where the City Manager and Finance Director discuss the availability of the Local Return funds in conjunction with any eligible PCLRF projects and submit Form B (Annual Project Update Form) to LACMTA, if needed.
Management's Response	The City Manager and Finance Director constantly discuss the need to plan and implement street projects to spend funds in a timely manner. This process will continue.
Finding Corrected During the Audit	On November 8, 2018, LACMTA subsequently approved an extension on the usage of lapsed funds until June 30, 2019.

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 Fiscal Year Ended June 30, 2018
 (Continued)**

<p>PALRF Finding#2018-002</p>	<p>City of Burbank</p>
<p>Compliance Reference</p>	<p>According to Proposition A and Proposition C 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 align="center">(b) A Federal award and non-Federal award.</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p>(a) They must reflect an after the fact distribution of the actual activity of each employee,</p> <p>(e) 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
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 Fiscal Year Ended June 30, 2018
 (Continued)**

PALRF Finding#2018-002 (Continued)	City of Burbank
Condition	During the fiscal year ended June 30, 2018, S&S noted that the timesheets of five (5) employees were not properly endorsed. During the pay period ended December 30, 2017, we noted that one (1) timesheet was not signed by the employee’s supervisor to support the hours charged to the local return projects. Additionally, we noted four (4) timesheets that were not signed by the employee to certify the percentage of time worked on the local return projects.
Cause	The City’s internal control procedures to ensure that the salaries charged to approved Proposition A Local Return projects were properly endorsed by both the employee and the appropriate supervisor did not operate effectively during the period tested.
Effect	The City did not comply with LACMTA Guidelines. The payroll costs claimed under the Proposition A Local Return Funds projects may include expenditures which may not be an allowable Proposition A project, resulting in questioned cost of \$8,074.
Recommendation	We recommend the City establish controls to ensure that the payroll costs charged to the Local Return Funds are adequately supported by time sheets which includes employees’ working hours and to ensure that the timesheets are signed by employees and supervisors to verify the accuracy of the hours charged. In addition, we recommend the City implement a monitoring and review process to ensure proper reporting of salaries charged to approved Proposition A Local Return Projects.
Management’s Response	<p>All noted timesheets reported actual hours worked by employees whose time are 100% dedicated towards bus service operations (Prop A Project 03-120). Supervision over the selected pay period’s (12/17/17—12/30/17) timesheets was typical due to the holidays and limited staffing—timesheets from the other selected pay period (5/6/18 – 5/19/18) were entirely in compliance.</p> <p>We have amended procedures to strengthen internal controls and require additional approvals throughout the year. In addition to the Transportation Operations Supervisor’s and Transportation Operations Manager’s review and approval of each signed timesheet, administrative management staff will regularly inspect timesheets to ensure compliance. All staff will be advised of timesheet procedures and requirements to guarantee that the audit finding will not be repeated.</p> <p>Additionally, for the exceptions, we retroactively performed supervisory review and approval of the one unapproved timesheet and had the four timesheets signed by the employees.</p>

**Los Angeles County Metropolitan Transportation Authority
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Fiscal Year Ended June 30, 2018
(Continued)**

PCLRF Finding#2018-003	City of Cerritos
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 5) a 25 percent or greater change in an approved Local Return project budget or scope on all operating or capital Local Return projects."
Condition	The City exceeded more than 25 percent of LACMTA's approved budget on PCLRF Project Code 430-03, Community Bike Ride Event in the amount of \$430. However, the City submitted a Project Description Form (Form A) to obtain the budget increase from LACMTA and received subsequent approval on November 27, 2018.
Cause	Due to staff oversight, the City failed to request for an approval to increase the budget for the project.
Effect	The City did not comply with the Guidelines when the City's PCLRF project expenditure exceeded 25 percent of LACMTA's prior approval.
Recommendation	We recommend that the City establish procedures to ensure that project expenditures are within the 25 percent cap of the LACMTA's approved budget and an amended Form A (Project Description Form) is properly prepared and submitted prior to the expenditure of funds for approved projects.
Management's Response	The City Finance staff will complete a bi-monthly review of transit and transportation-related expenses with Community Development staff in order to confirm compliance with budgeted amounts and to identify and resolve any potential budget matters in a timely manner.
Finding Corrected During the Audit	LACMTA Program Manager granted retroactive budget approval in the amount of \$1,680 of the said expenditures on November 27, 2018. No follow-up is required.

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

PCLRF Finding#2018-004	City of Claremont
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 5) a 25 percent or greater change in an approved Local Return project budget or scope on all operating or capital Local Return projects."
Condition	The City exceeded more than 25 percent of LACMTA's approved budget on PCLRF Project Code 300-07, Transit Center Maintenance. The amount that exceeded the approved budget by more than 25 percent was \$12,379. However, subsequently, the City submitted an amended Form A (Project Description Form) to LACMTA to revise the budget to include the increase for this project.
Cause	The increased maintenance costs were due to additional unanticipated expenses for a metal screen at the parking structure, emergency roof repairs and tree removal. Since these expenses were in response to an emergency, a retroactive Form A was submitted to and approved by LACMTA.
Effect	The City's PCLRF project expenditures exceeded 25 percent of LACMTA's approved budget without LACMTA's approval. The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that project expenditures are within the 25 percent cap of the LACMTA's approved budget and an amended Form A (Project Description Form) is properly prepared and submitted prior to the expenditure of funds which would result in a 25 percent or greater change in an approved Local Return project budget or scope on all operating or capital Local Return projects.
Management's Response	Management will verify that Form A is submitted for each emergency expenditure prior issuing payment to the vendor.
Finding Corrected During the Audit	On October 11, 2018, LACMTA granted the City an approval to amend the budget for Transit Center Maintenance to \$178,000. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
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 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2018
 (Continued)**

<p>PALRF & PCLRF Finding#2018-005</p>	<p>City of Downey</p>
<p>Compliance Reference</p>	<p>According to Proposition A and Proposition C 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 align="center">(b) A Federal award and non-Federal award.</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p>(a) They must reflect an after the fact distribution of the actual activity of each employee,</p> <p>(e) 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>

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 (Continued)**

PALRF & PCLRF Finding#2018-005 (Continued)	City of Downey
Condition	<p>To support the propriety of expenditures being charged to Proposition A and Proposition C Local Return Fund, payroll expenditures should be supported by properly executed payrolls, time records, activity reports, vouchers, or other official documentation evidencing in proper detail the nature of the charges. However, the salaries and benefits charged were based on an estimate of a percentage of time spent on PALRF and PCLRF activities rather than the employee’s actual working hours spent on the projects. Although the City provided a time study listing the employees charged to PALRF and PCLRF, the payroll costs and benefits were based on estimated percentages of the time spent on the projects. Moreover, the hours were not adjusted to reflect the “true” hours worked on the projects at the end of the fiscal year 2017-18.</p> <ul style="list-style-type: none"> (a) PALRF’s Fixed Route Program Project Code 110-13 in the amount of \$47,832. (b) PALRF’s Senior/Handicapped Transit Program Project Code 130-02 in the amount of \$218,169. (c) PALRF’s Bus Stop Maintenance Project Code 150-02 in the amount of \$34,556. (d) PCLRF’s Ride Sharing Program Administration Project Code 480-02 in the amount of \$13,560. (e) PCLRF’s Local Return Fund Administration (Public Works) Project Code 480-28 in the amount of \$26,789. <p>This is a repeat finding from the prior two fiscal years.</p>
Cause	<p>The City allocates administrative charges based on time study from 2011-12. The same percentage allocation has been used in prior fiscal years in which the City believed is still relevant today as when the study was completed.</p>
Effect	<p>The payroll costs claimed under the PALRF and PCLRF projects may include expenditures which may not be allowable Proposition A and Proposition C project expenditures. This resulted in questioned costs of \$300,557 and \$40,349 for PALRF and PCLRF, respectively.</p>
Recommendation	<p>In accordance with the Guidelines, we recommend that the City reimburse its Proposition A and Proposition C Local Return Fund accounts for \$300,557 and \$40,349, respectively. In addition, we recommend that the City revise its current labor costs reporting procedures to ensure that labor costs charged to Local Return Funds are adequately supported by time sheets or similar documentation which includes employees’ actual working hours.</p>

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(Continued)

PALRF & PCLRF Finding#2018-005 (Continued)	City of Downey
Management's Response	The City management agrees that the amounts were based on a time study from 2011-12. However, the City believes the amounts charged to all City funds (Enterprise, Special Revenue, Successor Agency) for administration and equipment maintenance to be relevant today as when the study was completed. The City has limited resources in which to conduct a time study on an annual basis. An updated schedule was prepared by the City using fiscal year 2018 figures and the result was still within the allocation costs stated in the previous study. The City recently completed a cost allocation study which has been shared with the LACMTA and is still under review by the City management.

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 (Continued)**

PALRF Finding#2018-006	City of Downey
Compliance Reference	According to Proposition A and Proposition C 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 the jurisdictions responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these guidelines.”
Condition	To support the propriety of expenditures being charged to the Proposition A and Proposition C Local Return Funds, non-payroll expenditures should be supported by properly executed contracts, invoices, and vouchers or other official documentation evidencing in proper detail the nature of the charges. However, payments for equipment rental in the amount of \$126,690 were charged to PALRF's Senior/Handicapped Transit Program, Project Code 130-02, without appropriate supporting documentation, i.e., invoices, purchase orders, contracts, etc., to validate the disbursements. This is a repeat finding from the prior fiscal year.
Cause	The City allocates administrative charges based on time study from 2011-12. The same percentage allocation has been used in prior fiscal years in which the City believed is still relevant today as when the study was completed.
Effect	The unsupported expenditures on the equipment rental resulted in questioned costs of \$126,690.
Recommendation	In accordance with the Guidelines, we recommend that the City reimburse its Proposition A Local Return Account for \$126,690. 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, canceled checks or similar documentation so that Local Return expenditures are in compliance with the Guidelines.
Management’s Response	The City management agrees that the amounts were based on a time study from 2011-12. However, the City believes the amounts charged to all City funds (Enterprise, Special Revenue, Successor Agency) for administration and equipment maintenance to be relevant today as when the study was completed. The City has limited resources in which to conduct a time study on an annual basis. An updated schedule was prepared by the City using fiscal year 2018 figures and the result was still within the allocation costs stated in the previous study. The City recently completed a cost allocation study which has been shared with the LACMTA and is still under review by the City management.

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(Continued)

PALRF Finding#2018-007	City of Downey
Compliance Reference	According to Proposition A and Proposition C Guidelines, Section II.A.1.3, Recreational Transit Service, “Jurisdictions shall submit a Listing of Recreational Transit Services no later than October 15 after the fiscal year.”
Condition	The City did not meet the October 15, 2018 deadline for submission of the Listing of Recreational Transit Services. However, the City submitted the listing on October 30, 2018.
Cause	City staff changes resulted in misunderstanding regarding the submission of the Listing of Recreational Transit Services form.
Effect	The City’s Listing of Recreational Transit Services was not submitted timely.
Recommendation	We recommend that the City establish procedures to ensure that the Recreational Transit Services Listing is properly prepared and submitted before the due date of October 15th so that the City’s expenditures of the Proposition A 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 was submitted in a timely manner.
Management’s Response	Management agrees with the finding. Management has created a schedule with reporting deadlines to be used by the City staff to monitor LACMTA’s reporting requirements. Management will review the schedule on a regular basis to confirm staff is submitting reports on a timely basis.
Finding Corrected During the Audit	The City submitted the form to LACMTA on October 30, 2018. No follow-up is required.

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 (Continued)**

PACLR & PCLRF Finding #2018-008	City of Duarte
Compliance Reference	<p>According to Proposition A and Proposition C 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...”</p> <p>The City’s Finance Manual Section 2.36.090, Award of Contracts and Purchase Orders, states “The purchase of supplies, services or equipment with a value greater than three thousand dollars shall be made only by written contract or written purchase order.” Section 2.36.090(b) states the specific guidelines for selecting qualified vendors.</p>
Condition	<p>To support the propriety of expenditures being charged to the Proposition A and C Local Return Funds, non-payroll expenditures should be supported by properly executed contracts, invoices, and vouchers. Although payments to vendors were allowable and were properly supported by invoices and cancelled checks, the following expenditures for Project Code 110-01, Fixed Route Bus System were not supported by an existing contract or purchase order form for the following vendors:</p> <ul style="list-style-type: none"> (a) Payments made to La Mobo Bus Service, Inc. in the total amount of \$88,986; (b) Payments made to Alex Romo, Inc. in the total amount of \$10,131; and (c) Payments made to Canyon Tire Sales, Inc. in the total amount of \$14,627. <p>This is a repeat finding from prior fiscal year.</p>
Cause	<p>According to the City, these are payments made to the equally qualified vendors for when buses break down and need urgent repairs and replacement of parts to ensure that the buses are back in service quickly.</p>
Effect	<p>Without proper procurement documentation i.e., contract or purchase order, there is no indication that the vendors met the necessary qualifications stated in Section 2.36.090(b) of the City’s Finance Manual to provide greater efficiency for the purchase of supplies, services and equipment at the lowest possible cost commensurate with the quality needed and a better match with desired goods or services.</p>

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 (Continued)**

PACLR & PCLRF Finding #2018-008 (Continued)	City of Duarte
Recommendation	We recommend that the City follow its procurement guidelines for selecting qualified vendors with accordance to Section 2.36.090(b) of the City’s Finance Manual. The services provided by the selected vendors should be covered by a blanket Purchase Order that is created within the City’s requisition process.
Management’s Response	The City’s approach to the issue of “utilizing Purchase Orders” was to cover the purchase of repairs and maintenance on an “as needed” basis and not as an “aggregate” purchase. Subsequent to the conference call between LACMTA and the City held on November 27, 2018, the City understands the desire by LACMTA to approach the repairs and maintenance purchases as an aggregate. The City understands this change in approach from simply “using Purchase Orders” to cover the transaction versus “using a Blanket Purchase Order” for vendors who have been selected based on a procurement process. The City has conducted an informal bidding process as of December 12, 2018. For the remaining months of fiscal year 2019, the City will implement the use of Blanket Purchase Orders. Prior to the abovementioned conference call, the invoices that did not have a Purchase Order on record and invoices exceeding the \$3,000 threshold, the City’s Transit Manager or Supervisor initialed the invoices and indicated that the services were urgent. The City anticipates the new electric buses to be on-line in February 2019. Based on the Memorandum of Understanding with Foothill Transportation, Foothill Transportation will be responsible for the repairs and maintenance of the buses.

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PALRF Finding #2018-009	City of Glendora
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 5) a 25 percent or greater change in an approved Local Return project budget or scope on all operating or capital Local Return projects."
Condition	The City exceeded more than 25 percent of LACMTA's approved budget on PALRF Project Code 480-04, Proposition A Administration, in the amount of \$53,493. However, the City submitted a Project Description Form (Form A) to obtain a budget increase from LACMTA and received subsequent approval on September 26, 2018.
Cause	The administrative costs were evaluated subsequent to the LACMTA deadlines to request for an adjustment to the approved budget.
Effect	The City's PALRF project expenditure exceeded 25 percent of LACMTA's approved budget without LACMTA's approval and the City did not comply with the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that project expenditures are within the 25 percent cap of the LACMTA's approved budget and an amended Form A (Project Description Form) is properly prepared and submitted prior to the expenditure of funds which would result in a 25 percent or greater change in an approved Local Return project budget or scope on all operating Local Return projects.
Management's Response	The City will modify procedures to evaluate the costs of projects prior to the set LACMTA deadlines to ensure the adjusted budgets will be approved in a timely manner.
Finding Corrected During Audit	LACMTA Program Manager granted retroactive approval in the amount of \$235,000 of the said expenditures on September 26, 2018. No follow-up is required.

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

PCLRF Finding #2018-010	City of Glendora
Compliance Reference	According to Proposition A and Proposition C 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 the jurisdictions responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these guidelines."
Condition	To support the propriety of expenditures being charged to the Proposition A Local Return Fund, non-payroll expenditures should be supported by properly executed contracts, invoices, and payment vouchers, or other official documentation evidencing in proper detail the nature of the charges. However, payments for vehicle fuel charges charged to Paratransit/Senior and Disabled Project Code 130- 01 and information technology charged to Administration Proposition A Project Code 480-04 in the amounts of \$5,442 and \$3,242, respectively, were without appropriate invoices, purchase orders, contracts, etc., to validate the disbursements.
Cause	The City reported what they believed was a reasonable amount of expenditures to absorb the cost of vehicle and technology charges incurred by its transit operations.
Effect	The unsupported expenditures for vehicle fuel and information technology charges resulted in questioned costs of \$5,442 and \$3,242, respectively, for a total amount of \$8,684.
Recommendation	In accordance with the Guidelines, we recommend that the City reimburse its PALRF account for a total amount of \$8,684. 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, canceled checks or similar documentation so that Local Return expenditures are in compliance with the Guidelines.
Management's Response	The City will modify existing procedures to ensure that the allocations are fairly represented by each department's usage of vehicles and technology.

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

PALRF Finding #2018-011	City of La Cañada Flintridge
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A), Item 5: "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for a 25 percent or greater change in an approved Local Return project budget or scope on all operating or capital Local Return projects."
Condition	The City exceeded more than 25 percent of LACMTA's approved budget on PALRF Project Code 480-02, Administration, in the amount of \$6,465. However, the City filed the Form A to obtain LACMTA's retroactive approval on the budget amendment. The Form A was subsequently approved on September 7, 2018.
Cause	The City overlooked at the monitoring of the expenses prior to June 30, 2018.
Effect	The City's PALRF project expenditure exceeded 25 percent of LACMTA's approved budget without LACMTA's approval and the City did not comply with the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that project expenditures are within the 25 percent cap of LACMTA's approved budget and an amended Form A is properly prepared and submitted prior to the expenditure of funds which would result in a 25 percent or greater change in an approved Local Return project budget or scope on all operating or capital Local Return projects.
Management's Response	Going forward, the City will monitor the expenditures and will submit budget amendment request, if necessary, before June 10th of each year.
Finding Corrected During Audit	The City filed Form A to obtain retroactive approval on the budget amendment for the project and was subsequently approved on September 7, 2018. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
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Fiscal Year Ended June 30, 2018
(Continued)**

PALRF & PCLRF Finding #2018-012	City of La Cañada Flintridge
Compliance Reference	According to Proposition A and Proposition C 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..."
Condition	To support the propriety of expenditures being charged to the Proposition A and Proposition C Local Return Funds, non-payroll expenditures should be supported by properly executed contracts, invoices, and vouchers. Although payments to vendors were properly supported by invoices and cancelled checks, the payments to City of Glendale in the total amount of \$213,662 and \$142,442, under PALRF and PCLRF, respectively, were based on an expired contract agreement and were charged to the respective LCF Shuttle (Route 3) Project Code 110-03. No amendments were issued since Amendment No. 9 dated September 23, 1999 in which the term of the extension ended on January 31, 2000. This is a repeat finding from the prior fiscal year.
Cause	It took the City a longer time than expected to research and negotiate with the service provider for a new multi-year service contract.
Effect	No documentation to support that both Cities agree to extend the terms of the agreement indicates a weakness in the City's internal control.
Recommendation	We recommend that the City update the contract annually and issue an extension or amendment to provide proper documentation that both parties, Cities of La Cañada Flintridge and Glendale, mutually agree to the terms and conditions of the contract, including but not limited to, level of service, type of service, and rates.
Management's Response	A new ten (10) year shuttle services agreement is executed with effective beginning date of July 1, 2018.
Finding Corrected During Audit	A new service agreement is executed with an effective date of July 1, 2018. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
 Proposition A and Proposition C Local Return Funds
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2018
 (Continued)**

PALRF Finding #2018-013	City of La Verne
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), “Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 5) a 25 percent or greater change in an approved Local Return project budget or scope on all operating or capital Local Return projects. “
Condition	The City exceeded more than 25 percent of LACMTA’s approved budget on PALRF’s Project Code 250-12, Bus Pass Subsidy (FHT), in the amount of \$3,165. However, the City submitted a Project Description Form (Form A) to obtain the budget increase from LACMTA and received subsequent approval for a budget increase to \$10,500 on July 30, 2018.
Cause	Incorrect input for budget increase request.
Effect	The City’s PALRF project expenditure exceeded 25 percent of LACMTA’s approved budget without LACMTA’s approval and the City did not comply with the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that project expenditures are within the 25 percent cap of the LACMTA’s approved budget and an amended Form A (Project Description Form) is properly prepared and submitted prior to the expenditure of funds for approved projects.
Management’s Response	Expenditures exceeded the budget by more than 25 percent due to an input error when requesting an identified budget increase. The City initially submitted a project budget for \$7,500. On June 27, 2018, City staff reviewed upcoming expenditures and determined that project expenditures would exceed the budget plus 25 percent limit of \$9,375 by \$665. Based on this, it was determined that a budget increase was needed and one was prepared for \$2,000; however, the increase request was input as request for a decrease instead reducing the overall budget. It is the City’s position that this was not a procedural issue since procedures clearly identified that a budget adjustment was needed in a timely manner. However, in light of the situation, a final review of Form A submissions will be implemented.
Finding Corrected During Audit	LACMTA Program Manager granted retroactive budget approval of the said expenditures on July 30, 2018. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
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Fiscal Year Ended June 30, 2018
(Continued)**

PALRF Finding #2018-014	City of Lancaster
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II, 1.3, Recreational Transit Service: "Jurisdictions shall submit a Listing of Recreational Transit Services no later than October 15th after the fiscal year".
Condition	The City did not meet the October 15, 2018 deadline for submission of the Listing of Recreational Transit Services. However, the City subsequently submitted the listing on December 6, 2018.
Cause	The Finance Department lost a key member in the department to another department within the City near year-end. The compliance filings responsibility was assigned to another staff which resulted in overlooked the submission of the form before the due date.
Effect	The City's Listing of Recreational Transit Services was not submitted timely.
Recommendation	We recommend that the City establish procedures to ensure that the Recreational Transit Services Listing is properly prepared and submitted before the due date of October 15th in accordance with the Proposition A and Proposition C Local Return Guidelines. Furthermore, we recommend that the City retain a confirmation of receipt by LACMTA to indicate the listing was submitted in a timely manner.
Management's Response	The City will establish procedures to ensure the timely filing of all required listings. In addition, the City will retain a confirmation of receipt by LACMTA to indicate the listing was submitted in a timely manner.

**Los Angeles County Metropolitan Transportation Authority
 Proposition A and Proposition C Local Return Funds
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 Fiscal Year Ended June 30, 2018
 (Continued)**

PALRF Finding #2018-015	City of Manhattan Beach
Compliance Reference	According to Proposition A and Proposition C 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 the jurisdictions responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these guidelines.”
Condition	To support the propriety of expenditures being charged to Proposition A Local Return Fund (PALRF), all expenditures should be based on actual amounts incurred and supported by properly executed invoice, purchase order, contract, or other official documentation evidencing in proper detail the nature of the charges. Our review of expenditures charged to the Dial-A-Ride Project funded by PALRF identified that auto liability insurance related to Dial-A-Ride in the amount of \$65,400 was allocated to PALRF based on budget, when the actual cost is \$45,054 which resulted in overcharging of \$20,346.
Cause	The City was not aware that charging budgeted amounts to PALRF is not allowed.
Effect	The City overcharged PALRF for liability insurance by \$20,346.
Recommendation	We recommend that the City reimburse its PALRF by \$20,346. In addition, we recommend that the City ensure all expenditures charge to PALRF are based on actual amounts.
Management’s Response	<p>The Prop A Fund incurred a deficit of \$194,133 in FY2017- 2018. The deficit was relieved by the Measure R Fund through a transfer. Included in the deficit was a budgeted billing versus actual for liability of \$20,346. We understand that MTA requires actual costs be charged. Therefore, the Measure R fund will be reimbursed \$20,346 from City funds in FY2018-2019.</p> <p>The City will begin to true-up the budget versus actuals in liability insurance at year-end starting in FY2018-2019.</p>

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

<p>PCLRF Finding #2018-016</p>	<p>City of Norwalk</p>
<p>Compliance Reference</p>	<p>According to Proposition A and Proposition C 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...”</p> <p>In addition, Los Angeles County Metropolitan Transportation Authority (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 nontimesheet 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 align="center">(b) A Federal award and non-Federal award</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p align="center">(a) They must reflect an after the fact distribution of the actual activity of each employee,</p> <p align="center">(e) 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 estimates produce reasonable approximations of the activity 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
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(Continued)**

PCLRF Finding #2018-016 (Continued)	City of Norwalk
Condition	The salaries and benefits for four (4) employees totaling \$2,616 under Project 310-08 Transportation Center Operation for the period ended October 7, 2017, were based on percentages determined by the City departments to be attributable to the LACMTA projects. However, the percentages utilized cannot be supported by timesheets or similar time and effort documentation to demonstrate that the salaries charged were expended on approved Proposition C Local Return projects.
Cause	The City received the same finding during FY 2015-16 and FY 2016- 17; as such, the City implemented internal control procedures to ensure that the salaries charged to approved Proposition C Local Return projects are properly supported. Internal control procedures were fully implemented as of January 1, 2018 and operated effectively during all periods tested after the internal control procedures were implemented.
Effect	The City did not comply with LACMTA Guidelines until January 2018. As such, the payroll costs claimed under the Proposition C Local Return Funds projects prior to January 2018 may include expenditures which may not be an allowable Proposition C project, resulting in questioned cost.
Recommendation	As the City has already modified its time sheet reporting format and implemented internal controls to ensure compliance with guidelines, we recommend that the City implement a monitoring and review process to ensure that the internal controls in place operate effectively to ensure proper reporting of salaries charged to approved Proposition C Local Return projects.
Management's Response	Management will ensure that all staff time charged to Proposition C Local Return Projects are supported by timesheets or similar documentation.
Finding Corrected During Audit	The City implemented internal control procedures to ensure that the salaries charged to approved Proposition C Local Return projects are properly supported effective January 1, 2018. As such, no follow-up is necessary on this matter.

**Los Angeles County Metropolitan Transportation Authority
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Fiscal Year Ended June 30, 2018
(Continued)**

PALRF and PCLRF Finding #2018-017	City of Palos Verdes Estates
Compliance Reference	According to Proposition A & Proposition C Guidelines, Section I (C), "Jurisdictions shall submit on or before August 1 of each fiscal year an Annual Project Update to provide current information on all approved on-going and carryover LR projects."
Condition	The City did not submit the Annual Project Update (Form B) to LACMTA by August 1, 2017.
Cause	The City's Finance Department has experienced staff turnover; therefore, the Annual Project Update (Form B) was not submitted timely.
Effect	The City's Annual Project Update (Form B) was not submitted to LACMTA by August 1st as required by the Proposition A and C Local Return Guidelines.
Recommendation	We recommend that the City establish internal control procedures to ensure that the Annual Project Update (Form B) is properly prepared and submitted prior to the August 1st deadline, and that the City retain a confirmation of receipt by LACMTA to comply with the Proposition A and C Local Return Guidelines.
Management Response	The City's Finance Department has experienced staff turnover; therefore, the FY18 Form B was not submitted timely. Currently, the Finance Department is fully staffed and for FY19 Form B was submitted timely on 7/31/18. With new management, we will ensure that the Form B is submitted timely going forward.
Finding Corrected During Audit	The City submitted the Form B on June 29, 2018. No follow up is required.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
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(Continued)**

PCLRF Finding #2018-018	City of Redondo Beach
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines Section IV. E. Timely Use of Funds, "...Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds."
Condition	A portion of the City's fiscal year 2015 ending fund balance in the amount of \$403,818 was not fully expended within 3 years as of June 30, 2018, and it was not reserved for capital projects as required by Proposition C Local Return Guidelines. However, on December 20, 2018, LACMTA granted the City's request to reserve the funds in the amount of \$403,818 for Transit Center Construction Project.
Cause	The City did not request to reserve these funds for capital projects prior to the end of the fiscal year, and the City did not expend the necessary funds on approved local return projects during the fiscal year to avoid lapsed funds.
Effect	Untimely review of the funding status from the prior years allocations could result in loss of funding.
Recommendation	In order to avoid future lapsed funds, we recommend the City establish a policy and process where the City Manager and Finance Director discuss the availability of the Local Return funds in conjunction with any eligible PCLRF projects and submit Form B (Expenditure Plan) to LACMTA, if needed.
Management's Response	The project plans and specifications were completed and the project was bid. The 5 bid results all came in between \$2 million and up to \$6 million over the City's projected budget. Since the City did not currently have available funding, the City Council rejected all bids in September 2018. The City is seeking additional project funding, however the funding is likely not available until after July 2019. The City plans to re-advertise the project for bids in 2019, after additional funding for the project is secured.
Finding Corrected During Audit	On December 20, 2018, LACMTA subsequently approved the City's request to reserve the funds in the amount of \$403,818 for Transit Center Construction Project. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
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(Continued)

PCLRF Finding #2018-019	City of Redondo Beach
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines V. Audit Section, "...funds were expended with Metro's approval...". Further, according to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A), Item 1: "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: a new project".
Condition	The City incurred expenditures for Beryl Street Improvements and Pavement Management Study in the amounts of \$4,332 and \$40,556, respectively for FY 2017-18 prior to LACMTA's approval.
Cause	It was due to an internal communication issue.
Effect	The City did not comply with the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure all new projects are approved by LACMTA prior to expending the funds by timely submission of Form A (Project Description Form).
Management's Response	The Transit and Engineering staff will improve communication regarding Local Return funded projects to ensure that the appropriate forms are submitted.
Finding Corrected During Audit	On October 15, 2018, the City received approval from LACMTA to expend Proposition C funds in the amounts of \$4,400 and \$40,000 for Beryl Street Improvements and Pavement Management Study, respectively. No follow-up is required.

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

PALRF and PCLRF Finding #2018-020	City of San Dimas
Compliance Reference	According to Proposition A and Proposition C Guidelines, Section I. C, "Jurisdictions shall submit on or before August 1 of each fiscal year an Annual Project Update to provide current information on all approved on-going and carryover LR projects."
Condition	The City did not meet the August 1, 2017 deadline for submission of the Annual Project Update (Form B). However, the City submitted the Form B on August 4, 2017.
Cause	Staff member who completes report failed to submit the completed report before the due date. It was an oversight and the issue has been addressed.
Effect	The City's Form B was not submitted timely.
Recommendation	We recommend that the City establish procedures to ensure that the Form B is properly prepared and submitted before the due date of August 1st so that the City's expenditures of the Proposition A and C Local Return Funds will be in accordance with Metro's approval and the Guidelines. Furthermore, we recommend the City retain a confirmation of receipt by Metro to indicate the form was submitted in a timely manner.
Management's Response	The late submission was an unfortunate oversight by staff. Management is requiring that concerned personnel are carbon copied in correspondences with Metro to assure timely submission and shared task lists will be implemented to track progress.
Finding Corrected During Audit	The City subsequently submitted the Form B on August 4, 2017. No follow up is required.

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PALRF Finding #2018-021	City of San Gabriel
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 5) a 25 percent or greater change in an approved Local Return project budget or scope on all operating or capital Local Return projects."
Condition	The City exceeded more than 25 percent of LACMTA's approved budget on PALRF Project Code 480.05, Direct Administration, in the amount of \$43,352. However, the City submitted a Project Description Form (Form A) to obtain a budget increase from LACMTA and received subsequent approval on September 25, 2018.
Cause	The City wanted to maximize the use of Proposition A Funds and simultaneously, minimize the use of Proposition C Funds.
Effect	The City's PALRF project expenditure exceeded 25 percent of LACMTA's approved budget without LACMTA's approval and the City did not comply with the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that project expenditures are within the 25 percent cap of the LACMTA's approved budget and an amended Form A (Project Description Form) is properly prepared and submitted prior to the expenditure of funds which would result in a 25 percent or greater change in an approved Local Return project budget or scope on all operating Local Return projects.
Management Response	In the future, the City will endeavor to not exceed the budget by over 25 percent and if needed, obtain LACMTA's approval prior to the end of the fiscal year for any changes to a program budget.
Finding Corrected During Audit	LACMTA Program Manager granted retroactive approval in the amount of \$100,000 of the said expenditures on September 25, 2018. No follow-up is required.

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(Continued)**

PALRF Finding #2018-022	City of San Marino
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 5) a 25 percent or greater change in an approved Local Return project budget or scope on all operating or capital Local Return projects."
Condition	The City exceeded more than 25 percent of LACMTA's approved budget on PALRF Project Code 120-01, Dial-A-Ride in the amount of \$3,103. However, the City submitted a Project Description Form (Form A) to obtain the budget increase from LACMTA and received subsequent approval on September 21, 2018.
Cause	Due to late submission of the fourth quarter billing, the Finance Department's estimates were too low for the fiscal year. The City submitted the final budget prior to the actual receipt of the invoice.
Effect	The City's PALRF project expenditure exceeded 25 percent of LACMTA's approved budget without LACMTA's prior approval and the City did not comply with the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that project expenditures are within the 25 percent cap of the LACMTA's approved budget and an amended Form A (Project Description Form) is properly prepared and submitted prior to the expenditure of funds for approved projects.
Management Response	The City has created new controls to ensure that all expense are submitted and paid before submitting any final budgets to LACMTA.
Finding Corrected During Audit	LACMTA Program Manager granted retroactive budget approval in the amount of \$8,000 for the project aforementioned on September 21, 2018. No follow-up is required.

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(Continued)**

PALRF and PCLRF Finding #2018-023	City of San Marino
Compliance Reference	According to Proposition A and Proposition C Guidelines, Section I. C, "Jurisdictions shall submit on or before August 1 of each fiscal year an Annual Project Update to provide current information on all approved on-going and carryover LR projects."
Condition	The City did not meet the August 1, 2017 deadline for submission of the Annual Project Update (Form B). However, the City submitted the Form B on August 23, 2017. This is a repeat finding from the prior year.
Cause	Due to City staff turnover and oversight, the form was not submitted by the deadline.
Effect	The City's Form B was not submitted in a timely manner.
Recommendation	We recommend that the City establish procedures to ensure that the Form B is properly prepared and submitted before the due date of August 1st so that the City's expenditures of the Proposition A and C Local Return Funds will be in accordance with LACMTA's approval and the Guidelines. Furthermore, we recommend the City retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner.
Management Response	Moving forward, the City has established new controls in place to ensure budgets are submitted once the City-wide budget is approved. The City has also added multiple contacts to the LACMTA email list to ensure the City is aware of deadlines as they approach.
Finding Corrected During Audit	The City subsequently submitted the Form B on August 23, 2017. No follow-up is required.

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

PALRF Finding #2018-024	City of San Marino
Compliance Reference	According to Proposition A and Proposition C 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..."
Condition	To support the propriety of expenditures being charged to the Proposition A Local Return Fund, non-payroll expenditures should be supported by properly executed contracts, purchase orders, invoices, and cancelled checks. Although payments to the vendor, San Marino School District, for Recreational Transit Athletics Trips project in the amount of \$110,000 were properly supported by invoices and cancelled checks, the expenditures were not supported by an existing contract or purchase order.
Cause	There was an oversight by the previous City administration to ensure that the reimbursement made the City with the San Marino School District for transportation services was covered by a duly executed contract.
Effect	No contract or purchase order form to support the payments made to the vendor, San Marino School District, indicates a weakness in the City's internal control.
Recommendation	We recommend that the City establish controls to ensure that the costs charged to the Local Return Funds, although allowable, are adequately supported by contracts, invoices, canceled checks or similar documentation so that Local Return expenditures are in compliance with the Guidelines.
Management's Response	The City is working with the District to create a contract moving forward to ensure that both parties are aware of the proper use of the funds, as well as, the Guidelines are followed. Legal counsel is currently working on the preparation of the contract. In addition, the City is in the beginning stage of creating a comprehensive procurement system that will require purchase orders and contracts for transactions.

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(Continued)**

PALRF Finding #2018-025	City of Sierra Madre
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 5) a 25 percent or greater change in an approved Local Return project budget or scope on all operating or capital Local Return projects."
Condition	The City exceeded more than 25 percent of LACMTA's approved budget on PALRF Project Code 110-05, Fixed Route Transit in the amount of \$1,772. However, the City submitted a Project Description Form (Form A) to obtain the budget increase from LACMTA and received subsequent approval on September 17, 2018.
Cause	Due to staff oversight, the City failed to request for an approval to increase the budget for the project.
Effect	The City's PALRF project expenditure exceeded 25 percent of LACMTA's approved budget without LACMTA's approval and the City did not comply with the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that project expenditures are within the 25 percent cap of the LACMTA's approved budget and an amended Form A (Project Description Form) is properly prepared and submitted prior to the expenditure of funds which would result in a 25 percent or greater change in an approved Local Return project budget or scope on all operating Local Return projects.
Management Response	The City will ensure to submit a Project Description Form (Form A) prior to the expenditure of funds which would result in a 25 percent or greater change in approved Local Return project budget.
Finding Corrected During Audit	LACMTA Program Manager granted retroactive budget approval in the amount of \$3,100 of the said expenditures on September 17, 2018. No follow-up is required.

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PALRF Finding #2018-026	City of Signal Hill
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 5) a 25 percent or greater change in an approved Local Return project budget or scope on all operating or capital Local Return projects."
Condition	The City exceeded more than 25 percent of Los Angeles County Metropolitan Transportation Authority's (LACMTA) approved budget on PALRF Project Code 140-03, Recreation Transit without prior approval from LACMTA. The amount that exceeded the approved budget by more than 25 percent is \$298.
Cause	It was due to an oversight by the City's program department.
Effect	The City's PALRF project expenditures exceeded 25 percent of LACMTA's approved budget without LACMTA's approval. The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that project expenditures are within the 25 percent cap of the LACMTA's approved budget. If the City expects project expenditures will be in excess of 25 percent of approved budget, the City should submit an amended Form A (Project Description Form) prior to the expenditure of funds.
Management Response	Staff did not anticipate an increase in recreational transit trips in the last quarter of the year.
Finding Corrected During Audit	The City's amended Form A was submitted and approved by LACMTA on December 18, 2018. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2018
(Continued)**

PALRF and PCLRF Finding #2018-027	City of Signal Hill
Compliance Reference	According to Proposition A & Proposition C Guidelines, Section I (C), "Jurisdictions shall submit on or before August 1 of each fiscal year an Annual Project Update to provide current information on all approved on-going and carryover LR projects."
Condition	The City did not meet the August 1, 2017 deadline for submission of the Annual Project Update (Form B). However, the City submitted the Form B on August 6, 2017.
Cause	It was due to an oversight.
Effect	The City's Form B was not submitted timely.
Recommendation	We recommend the City establish procedures to ensure that the Form B (Annual Project Update) is properly prepared and submitted before the due date of August 1st in accordance with Proposition A and Proposition C Local Return Guidelines. Furthermore, we recommend the City retain a confirmation of receipt from LACMTA to indicate the form was submitted in a timely manner.
Management's Response	This was due to staff turnover in the Public Works Department. As soon as the Finance Department became aware, Form B was submitted to LACMTA.
Finding Corrected During Audit	The City's Form B was submitted and approved on August 6, 2017. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
 Proposition A and Proposition C Local Return Funds
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2018
 (Continued)**

<p>PALRF Finding #2018-028</p>	<p>City of Signal Hill</p>
<p>Compliance Reference</p>	<p>According to Proposition A and Proposition C 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...”</p> <p>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 align="center">(b) A Federal award and non-Federal award</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p>(a) They must reflect an after the fact distribution of the actual activity of each employee.</p> <p>(e) 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 estimates produce reasonable approximations of the activity 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
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2018
(Continued)**

PALRF Finding #2018-028 (Continued)	City of Signal Hill
Condition	<p>To support the propriety of expenditures being charged to Proposition A and Proposition C 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.</p> <p>The salaries and benefits charged to PALRF totaling \$15,458 under Project 480-06 Staff Administration was based on percentages determined by the City departments to be attributable to LACMTA projects. However, the percentages utilized cannot be supported by timesheets or similar time and effort documentation to demonstrate that the salaries charged were expended on approved PALRF projects.</p> <p>This is a repeat finding.</p>
Cause	The City charged payroll to PALRF based on adopted budget.
Effect	The City did not comply with Proposition A and Proposition C Local Return Guidelines. The payroll costs claimed under the PALRF projects may include expenditures which may not be an allowable cost under PALRF project, resulting in a questioned cost of \$15,458.
Recommendation	<p>In accordance with the Guidelines, we recommend that the City reimburse its Proposition A Local Return Fund accounts for \$15,458.</p> <p>In addition, we recommend that the City revise its current labor costs reporting procedures to ensure that labor costs charged to Local Return Funds are adequately supported by time sheets or similar documentation which includes employees' actual working hours.</p>
Management's Response	Staff was under the understanding that salaries and benefits could be allocated on a percentage basis if the City has an approved (adopted) cost allocation plan that follows OMB guidelines.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2018
(Continued)**

PALRF and PCLRF Finding #2018-029	City of South Pasadena
Compliance Reference	According to Proposition A & Proposition C Guidelines, Section I (C), "Jurisdictions shall submit on or before August 1 of each fiscal year an Annual Project Update to provide current information on all approved on-going and carryover LR projects."
Condition	The City did not meet the August 1, 2017 deadline for submission of the Annual Project Update (Form B). However, the City submitted the Form B on August 8, 2017. This is a repeat finding from the prior year.
Cause	Due to staff vacancies during the fiscal year, Form B was not submitted by the due date.
Effect	The City's Form B was not submitted timely.
Recommendation	We recommend that the City establish procedures to ensure that the Form B is properly prepared and submitted before the due date of August 1st so that the City's expenditures of the Proposition A and Proposition C Local Return Funds will be in accordance with LACMTA's approval and the guidelines. Furthermore, we recommend the City retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner.
Management Response	Currently, the City's Finance Department is adequately staffed and will be compliant for all future audits.
Finding Corrected During Audit	The City subsequently submitted the Form B on August 8, 2017. No follow up is required.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2018
(Continued)**

PALRF and PCLRF Finding #2018-030	City of South Pasadena
Compliance Reference	According to Proposition A and Proposition C 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..."
Condition	To support the propriety of expenditures being charged to the PALRF and PCLRF, non-payroll expenditures should be supported by properly executed contracts, invoices, and payment vouchers. Although payments to vendors were allowable and were properly supported by invoices and cancelled checks, the expenditures for Senior Dial-A-Ride Program Project Code 130-05 were not supported by an existing contract or purchase order form for the following vendors: <ul style="list-style-type: none"> A) A payment to Ellen's Silkscreening in the amount of \$597 charged under PALRF; B) Two (2) payments made to Jack's Auto Repair in the total amount of \$6,074 charged under PCLRF; C) A payment made to Hall's Auto Tech Center in the amount of \$1,960 charged under PCLRF; and D) A payment made to Cantu Graphics in the amount of \$1,202 charged under PCLRF.
Cause	The payments were made to what the City considered as "preferred" vendors and no purchase orders were used during this time.
Effect	No contract or purchase order form to support the payments made to the vendors indicates a weakness in the City's internal control.
Recommendation	We recommend that the City establish controls to ensure that the costs charged to the Local Return Funds, although allowable, are adequately supported by contracts, purchase orders, invoices, canceled checks or similar documentation so that Local Return expenditures are in compliance with the Guidelines.
Management Response	Going forward, the City will comply with its purchasing policy and will prepare the Purchase Orders when required.

**Los Angeles County Metropolitan Transportation Authority
 Proposition A and Proposition C Local Return Funds
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2018
 (Continued)**

PALRF Finding #2018-031	City of Temple City
Compliance Reference	According to Proposition A and Proposition C 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..."
Condition	To support the propriety of expenditures being charged to the Proposition A Local Return Fund, non-payroll expenditures should be supported by properly executed contracts, invoices, and payment vouchers. Although the payments to vendor, First Student Charter Bus Rental, charged to PALRF's Recreational Transit Project Code 140-02 in the total amount of \$4,693 were allowable and were properly supported by invoices and cancelled checks, the expenditures were not supported by an existing contract or purchase order form.
Cause	Due to the urgency of the need to immediately procure a substitute bus transportation vendor when the City's contracted company suddenly became unavailable, the City staff responsible did not obtain an agreement nor purchase order.
Effect	No contract or purchase order form to support the payments made to the vendor, First Student Charter Bus Rental, indicates a weakness in the City's internal control.
Recommendation	We recommend that the City establish controls to ensure that the costs charged to the Local Return Funds, although allowable, are adequately supported by contracts, purchase orders, invoices, canceled checks or similar documentation so that Local Return expenditures are in compliance with the Guidelines.
Management Response	Going forward, the City will ensure vendor payments will only be processed if covered by a Purchase Order or vendor agreement.

**Los Angeles County Metropolitan Transportation Authority
 Proposition A and Proposition C Local Return Funds
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2018
 (Continued)**

PCLRF Finding #2018-032	City of Whittier
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section ii A.15, “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;” and “The annual expenditure figure will be reduced by fund trades to other cities and/or funds set aside for reserves; conversely, the annual expenditure figure will be increased by expenditure of reserves or LR funds received in fund exchanges.”
Condition	The City’s administrative expenditures exceeded more than 20 percent of its total PCLRF annual expenditures in the amount of \$39,817. The amount of \$39,817 represents the excess over 20 percent of the PCLRF’s total local return annual expenditures.
Cause	The amount of administrative expenditures is determined at the beginning of the fiscal year based upon 20 percent of the budget. For fiscal year 2017-18, the City did not spend all of the budgeted PCLRF expenditures, which resulted in the excess over 20 percent of the actual annual expenditures.
Effect	The City’s Proposition C Administration Project Code 480-10 expenditures exceeded 20 percent of its PCLRF annual expenditures. Therefore, the City did not comply with the Guidelines.
Recommendation	We recommend that the City reimburse its PCLRF in the amount of \$39,817. Furthermore, we recommend the City establish procedures to ensure that administrative expenditures are within the 20 percent cap of the PCLRF’s total annual expenditures reduced by any fund exchanges with other cities or transit authorities.
Management Response	Going forward, the City staff will evaluate and reassess PCLRF actual expenditures and adjust administrative expenditures in order to maintain the 20 percent cap as approved by LACMTA.