



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

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund Consolidated Audit Report  
Fiscal Year Ended June 30, 2018**

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

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

**Report on Compliance**

We have audited the compliance of the thirty-eight (38) Cities identified in Schedule 1, with the types of compliance requirements described in the Measure R Ordinance enacted through a Los Angeles County voter-approved law in November 2008; Measure R Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (LACMTA), approved by its Board of Directors on October 22, 2009 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure R Local Return Funds, executed by LACMTA and the respective Cities for the year ended June 30, 2018 (collectively, the Requirements). Compliance with the above-noted Guidelines and Requirements by the Cities are identified in the accompanying Summary of Compliance Findings, Schedule 1 and Schedule 2.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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



### ***Basis for Qualified Opinion on City of Compton***

As described in the accompanying Summary of Compliance Findings (Findings #2018-005 through #2018-007), we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the City of Compton with the documentation requirements supporting allowability of certain costs charged to the Measure R Local Return Fund.

### ***Qualified Opinion on Compliance of City of Compton***

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified Opinion paragraph, the City of Compton complied, in all material respects, with the requirements of the Guidelines and Requirements referred to above that could have a direct and material effect on the Measure R Local Return program for the year ended June 30, 2018.

### ***Unmodified Opinions on Compliance of all Cities except City of Compton***

In our opinion, as described in Schedule 2, the Cities complied, in all material respects, with the Guidelines and Requirements referred to above that could have a direct and material effect on the Measure R Local Return program for the year ended June 30, 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 Measure R Audit Results (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2018-001 through #2018-016. Our opinion is not modified with respect to these matters.

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

### **Report on Internal Control over Compliance**

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

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



A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance 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 with the requirements, such that there is a reasonable possibility that material noncompliance under the Guidelines and Requirements will not be prevented, or detected and corrected, on a timely basis. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2018-005, #2018-006, #2018-007, #2018-008 and #2018-012, that we consider to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the requirements that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We identified deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as Findings #2018-002, #2018-003, #2018-009 and #2018-011, that we consider to be significant deficiencies.

The City's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City's responses 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 black ink that reads "Vaquero &amp; Company LLP". The signature is written in a cursive, flowing style.

**Glendale, California**

**December 31, 2018**, except for the results of audits of the City of Lynwood, City of Compton and City of Huntington Park, as to which the dates are January 15, 2019, January 24, 2019 and January 29, 2019, respectively.

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Compliance Findings  
Fiscal Year Ended June 30, 2018**

The audits of the 38 cities identified in Schedule 1 have resulted in 16 findings. The table below summarizes those findings:

<b>Finding</b>	<b># of Findings</b>	<b>Responsible Cities/ Finding No. Reference</b>	<b>Questioned Costs</b>	<b>Resolved During the Audit</b>
No adequate evidence that funds were expended for transportation purposes.	2	Compton (#2018-005) Compton (#2018-006)	\$ 92,210 120,520	\$ - -
Funds were expended without LACMTA's approval.	7	Azusa (#2018-001) Bell (#2018-002) Calabasas (#2018-004) Compton (#2018-007) Huntington Park (#2018-010) Maywood (#2018-011) Pomona (#2018-014)	1,090,438 10,605 306,113 540,770 38,527 25,741 106,803	1,090,438 10,605 306,113 540,770 38,527 25,741 106,803
Expenditure Plan (Form One) was not submitted on time.	4	Bell (#2018-003) Culver City (#2018-009) Santa Fe Springs (#2018-015) Westlake Village (#2018-016)	None None None None	- - - -
Expenditure Report (Form Two) was not submitted timely.	1	Pico Rivera (#2018-013)	None	-
Administrative expenses exceeded the 20% cap.	1	Compton (#2018-008)	(a)	-
No adequate evidence that procurement policies and procedures were followed.	1	Maywood (#2018-012)	309,679	-
<b>Total Findings and Questioned Costs</b>	<b>16</b>		<b>\$ 2,641,406</b>	<b>\$ 2,118,997</b>

(a) The excess amount of \$130,720 was part of the questioned costs in Findings #2018-005 and #2018-006.

Details of the findings are in Schedule 2.

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2018**

<b>Compliance Area Tested</b>	<b>Agoura Hills</b>	<b>Azusa</b>	<b>Baldwin Park</b>
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	See Finding #2018-001	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Not Applicable	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Compliant	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not applicable	Not Applicable



**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2018**

<b>Compliance Area Tested</b>	<b>Bell</b>	<b>Bell Gardens</b>	<b>Beverly Hills</b>
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	See Finding #2018-002	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	See Finding #2018-003	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Compliant	Not applicable	Not applicable
Fund exchanges were approved by LACMTA.	Compliant	Not applicable	Not applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not applicable	Compliant
Recreational transit form was submitted timely.	Not Applicable	Not applicable	Not applicable

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2018**

<b>Compliance Area Tested</b>	<b>Calabasas</b>	<b>Carson</b>	<b>Commerce</b>
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	See Finding #2018-004	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Compliant	Not applicable	Not applicable
Fund exchanges were approved by LACMTA.	Not applicable	Not applicable	Not applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not applicable	Not applicable	Not applicable
Recreational transit form was submitted timely.	Not applicable	Not applicable	Not applicable

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2018**

<b>Compliance Area Tested</b>	<b>Compton</b>	<b>Cudahy</b>	<b>Culver City</b>
Funds were expended for transportation purposes.	See Findings #2018-005 and #2018-006	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	See Finding #2018-007	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	See Finding #2018-009
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	See Finding #2018-008	Compliant	Not applicable
Fund exchanges were approved by LACMTA.	Not applicable	Not applicable	Not applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not applicable	Not applicable	Not applicable
Recreational transit form was submitted timely.	Not applicable	Not applicable	Not applicable

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2018**

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

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2018**

<b>Compliance Area Tested</b>	<b>Hidden Hills</b>	<b>Huntington Park</b>	<b>Industry</b>
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	See Finding #2018-010	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Not Applicable	Compliant	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2018**

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

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2018**

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

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2018**

<b>Compliance Area Tested</b>	<b>Maywood</b>	<b>Montebello</b>	<b>Monterey Park</b>
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	See Finding #2018-011	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Compliant	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable
Accounting procedures, record keeping and documentation are adequate.	See Finding #2018-012	Compliant	Compliant



**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2018**

Compliance Area Tested	Pico Rivera	Pomona	Rosemead
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	See Finding #2018-014	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	See Finding #2018-013	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Not Applicable	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2018**

<b>Compliance Area Tested</b>	<b>San Fernando</b>	<b>Santa Fe Springs</b>	<b>Santa Monica</b>
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	See Finding #2018-015	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Compliant	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable

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

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2018**

<b>Compliance Area Tested</b>	<b>West Hollywood</b>	<b>Westlake Village</b>
Funds were expended for transportation purposes.	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	See Finding #2018-016
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant
Timely use of funds.	Compliant	Compliant
Administrative expenses are within the 20% cap.	Not Applicable	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Schedule of Findings and Questioned Costs  
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<b>Finding #2018-001</b>	<b>City of Azusa</b>
<b>Compliance Reference</b>	<p>Section B (II) of Measure R Local Return Program Guideline states that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1<sup>st</sup> of each year.</p> <p>Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.</p>
<b>Condition</b>	<p>The City claimed expenditures for the following MRLRF projects with no prior approval from LACMTA:</p> <ul style="list-style-type: none"> <li>a. Project code 1.05, 1<sup>st</sup> Street Improvement, totaling \$130,000</li> <li>b. Project code 1.05, Sierra Madre Street Improvement, totaling \$762,356; and</li> <li>c. Project code 2.26, Azusa Traffic Management Systems, totaling \$198,082.</li> </ul> <p>These projects were previously approved when the TRIP bonds were issued in 2016. However, the City is still required to submit Form One every year, carry over the budget, and have it approved by LACMTA.</p> <p>The City submitted a revised Expenditure Plan (Form One) to the LACMTA Program Manager and obtained a retroactive approval of the said project on December 20, 2018.</p>
<b>Cause</b>	<p>The City concurs with the finding that the above projects should be included in the Expenditure Plan (Form One) submitted to LACMTA for the projects that will be funded with Measure R. The finding was caused by an oversight by City staff.</p>
<b>Effect</b>	<p>The City claimed expenditures totaling \$1,090,438 without prior approval from LACMTA. Lack of prior approval results in non-compliance which could impact future funding or result in questioned costs that require funding to be returned to LACMTA.</p>
<b>Recommendation</b>	<p>We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on Measure R-funded projects.</p>

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<b>Finding #2018-001 (Continued)</b>	<b>City of Azusa</b>
<b>Management's Response</b>	Capital projects in excess of \$250,000 will be reported in Form One as soon as the project(s) have been defined and the estimated expenditure plan has been finalized.
<b>Finding Corrected During the Audit</b>	LACMTA Program Manager granted retroactive approval of the said project on December 20, 2018. No additional follow up is required.

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<b>Finding #2018-002</b>	<b>City of Bell</b>
<b>Compliance Reference</b>	<p>Section B (II) of Measure R Local Return Program Guideline states that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1<sup>st</sup> of each year.</p> <p>Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.</p>
<b>Condition</b>	<p>The City claimed expenditures for the MRLRF project code 8.10, Fund Administration, totaling \$10,605, with no prior approval from LACMTA.</p> <p>The City submitted a revised Expenditure Plan (Form One) to the LACMTA Program Manager and obtained a retroactive approval of the said project on October 4, 2018.</p> <p>This is a repeat finding from prior year.</p>
<b>Cause</b>	The City concurs with the finding that a revised Expenditure Plan (Form One) should have been submitted for the project that will be funded with Measure R. The finding was caused by an oversight by City staff.
<b>Effect</b>	The City claimed expenditures totaling \$10,605 without prior approval from LACMTA. Lack of prior approval results in non-compliance which could impact future funding or result in questioned costs that require funding to be returned to LACMTA.
<b>Recommendation</b>	We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on Measure R-funded projects.
<b>Management's Response</b>	The City will correct procedures to ensure timely approval of project budgets.
<b>Finding Corrected During the Audit</b>	LACMTA Program Manager granted retroactive approval of the said projects on October 4, 2018. No additional follow up is required.

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<b>Finding #2018-003</b>	<b>City of Bell</b>
<b>Compliance Reference</b>	Section B (II) (I) of the Measure R Local Return Program Guidelines states that, "To maintain eligibility and meet Measure R LR program compliance requirements, jurisdictions shall submit to LACMTA an Expenditure Plan (Form One) annually by August 1 <sup>st</sup> of each year".
<b>Condition</b>	The City submitted its Expenditure Plan (Form One) on April 30, 2018, which is 272 days beyond the due date set under the Guidelines.  This is a repeat finding from prior year.
<b>Cause</b>	The key employee responsible for the LACMTA funds resigned from his employment with the City of Bell.
<b>Effect</b>	The City's Expenditure Plan (Form One) was not submitted timely. The City was not in compliance with the Local Return Guidelines.
<b>Recommendation</b>	We recommend for the City to establish procedures to ensure that all reporting deadlines are met.
<b>Management's Response</b>	Due to staff shortage, the annual filing of Form One was not done in a timely manner. The City recently hired a staff to handle all grant funds. A procedure has been in place to review projects and to ensure timely submission of forms/reports.
<b>Finding Corrected During the Audit</b>	The City subsequently submitted the form. No follow up is required.



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<b>Finding #2018-004</b>	<b>City of Calabasas</b>
<b>Compliance Reference</b>	Section B (II) (1) of the Measure R Local Return Program Guidelines state that "To maintain eligibility and meet Measure R LR program compliance requirements, jurisdictions shall submit to LACMTA an Expenditure Plan (Form One) annually by August 1st of each year.  Form One provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year."
<b>Condition</b>	The City claimed expenditures under the following MRLRF projects with no prior approval from LACMTA.  a. Project code 1.05, Overlay, totaling \$296,184; and b. Project code 8.10, Administration, totaling \$9,929  Although we found the expenditures to be eligible for Local Return funding, these projects had no prior approval from LACMTA.  LACMTA Program Manager granted a retroactive approval of the said projects on October 25, 2018.
<b>Cause</b>	The annual overlay project manager was not aware of the proper procedure of utilizing Measure R Local Return funds.
<b>Effect</b>	Measure R LR funds were expended towards project expenditures without prior approval by the LACMTA.
<b>Recommendation</b>	We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on any local return-funded projects.
<b>Management's Response</b>	Management will establish controls to ensure that proper information is provided to the project manager and approval is obtained from LACMTA prior to spending on any local return-funded projects.
<b>Finding Corrected During the Audit</b>	LACMTA Program Manager granted a retroactive approval of the said projects on October 25, 2018.

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<b>Finding #2018-005</b>	<b>City of Compton</b>
<b>Compliance Reference</b>	<p>Measure R Local Return Guidelines Section (A) (I) states that “The Measure R Ordinance specifies that LR funds are to be used for transportation purposes. No net revenues distributed to Jurisdictions may be used for purposes other than transportation purposes”. Also, Section VII states that, “It is the jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines”.</p> <p>On April 29, 2014, the LACMTA Local Return Program Manager issued a memo addressed to all Jurisdictions to provide clarification for adequate salary and related costs documentations for the audit of the Local Return funds.</p> <p>Below are recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines:</p> <ol style="list-style-type: none"> <li>1. All hours are required to be documented. Develop and/or maintain a system that will keep track of actual hours worked by employees whose salaries and benefits were charged to the LACMTA project. Expenditures claimed based solely on budgeted amounts is not considered adequate documentation because it does not reflect actual expenditures incurred on the LACMTA project and do not provide adequate evidence that labor hours charged has transit/transportation purpose. The record of hours worked must: a) identify the LACMTA project, b) be authenticated by the employee and approved by his/her immediate supervisor, and c) tie to hours reported in the payroll records.</li> <li>2. Provide adequate support for indirect costs. For indirect expenditures allocated to LACMTA projects, develop and/or maintain a system that distributes allowable expenditures to projects based on causal or beneficial relationships. Expenditures cannot be claimed on LACMTA project if the expenditures are not allowable (i.e., not transportation or transit related) or not allocable to the LACMTA project (i.e., LACMTA project did not cause the incurrence of the expenditure or LACMTA project did not benefit from the expenditure).</li> </ol>

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<b>Finding #2018-005 (Continued)</b>	<b>City of Compton</b>
<b>Condition</b>	<p>The City claimed salaries and benefits expenditures under Project code 8.10, Fund Administration, totaling \$92,210.</p> <p>Salaries and benefits expenditures allocated to MRLRF were not supported by actual time charges, documented time study, or overhead cost allocation plan. We were not able to verify the reasonableness and allowability of these expenditures under the Local Return Guidelines.</p>
<b>Cause</b>	<p>There was lack of oversight by the City's management on the compliance with the requirements of the Guidelines. Moreover, there were turnover in the key positions in the finance and accounting department during the past fiscal years.</p>
<b>Effect</b>	<p>The City failed to put in place a time reporting system that documents actual time spent on Measure R Local Return projects.</p> <p>The salaries and benefits claimed under MRLRF are not supported by actual time charges and documented time study and therefore, we question the total amount of expenditures reported under MRLRF of \$92,210.</p>
<b>Recommendation</b>	<p>We recommend that the City reimburse its MRLRF account the amount of \$92,210. In addition, we recommend that the City establish controls to ensure that the salaries and benefits charged to the Local Return funds are adequately supported by timesheets, payroll registers, personnel action forms with job descriptions, or similar documentation as required by the Guidelines.</p>
<b>Management's Response</b>	<p>City staff provided actual time charges and documented activity sheets for the sample employees requested from the auditor. City staff will provide the e-mailed documents previously provided to substantiate some of the expenditures incurred during this audit period. Staff will, however, develop a cost allocation plan and/or actual costs for transportation funds pursuant to the recommendation provided by the audit team. The City will also establish controls to ensure that all salaries and benefits charged to the Local Return funds are adequately supported in the future. The City considers this allocation to be an eligible expense under the local return guidelines.</p>

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<b>Finding #2018-006</b>	<b>City of Compton</b>
<b>Compliance Reference</b>	Measure R Local Return Program Guidelines, Section B (VII. Audit Section) states that "Jurisdictions are required to expend their Measure R Local Return funds for transportation purposes, as defined by the Guidelines" and "It is the Jurisdictions' responsibility to maintain proper accounting records and documentation."
<b>Condition</b>	The City charged general liability insurance costs amounting to \$120,520 to Project code 8.10, Fund Administration, based on budget. An analysis to true-up the amount claimed was not performed at yearend to support and substantiate the reasonableness of the amount charged to this project.
<b>Cause</b>	There was lack of oversight by the City's management on the compliance with the requirements of the Guidelines. Moreover, there were turnover in the key positions in the finance and accounting department during the past fiscal years.
<b>Effect</b>	The City did not perform a true-up analysis at year-end to ensure that general liability insurance costs charged to MRLRF approximate the actual cost incurred.  The amount charged to MRLRF may not reflect the most reasonable cost relating to MRLRF.
<b>Recommendation</b>	We recommend for the City to revisit its methodology for allocating the general liability insurance costs to all the funds and once it is established, the City does not necessarily have to update the methodology on an annual basis if the parameters did not change significantly from year to year. We recommend for the City to also reimburse its MRLRF account the amount of \$120,520.
<b>Management's Response</b>	The City will revisit its methodology for allocating the general liability insurance costs to all the funds and if requested by Metro, would consider reimbursing its MRLRF account in the amount of \$120,520.

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<b>Finding #2018-007</b>	<b>City of Compton</b>
<b>Compliance Reference</b>	<p>Section B (II) of Measure R Local Return Program Guideline states that “To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1<sup>st</sup> of each year.</p> <p>Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.</p>
<b>Condition</b>	<p>The City claimed expenditures for the following MRLRF projects with no prior approval from LACMTA:</p> <ul style="list-style-type: none"> <li>a. Project code 1.05, Central Ave Rehabilitation Project, totaling \$325,830;</li> <li>b. Project code 3.20, Compton Creek Walking Path – ADA Compliance, totaling \$2,210; and</li> <li>c. Project code 8.10, Fund Administration, totaling \$212,730.</li> </ul> <p>The City submitted a revised Expenditure Plan (Form One) to the LACMTA Program Manager and obtained a retroactive approval of the said project on December 4 and 2018 and December 27, 2018.</p>
<b>Cause</b>	<p>The City concurs with the finding that an Expenditure Plan (Form One) should have been submitted by August 1 for the projects that will be funded with Measure R. The finding was caused by an oversight by City staff.</p>
<b>Effect</b>	<p>The City claimed expenditures totaling \$540,770 without prior approval from LACMTA. Lack of prior approval results in non-compliance which could impact future funding or result in questioned costs that require funding to be returned to LACMTA.</p>
<b>Recommendation</b>	<p>We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on Measure R-funded projects.</p>

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<b>Finding #2018-007 (Continued)</b>	<b>City of Compton</b>
<b>Management's Response</b>	The City will establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending Measure R funded projects. Specifically, in this instance, additional funding was needed from Measure R on a previously Metro approved Prop C project.
<b>Finding Corrected During the Audit</b>	LACMTA Program Manager granted retroactive approval of the said project on December 4, 2018 and December 27, 2018. No additional follow up is required.

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<b>Finding #2018-008</b>	<b>City of Compton</b>
<b>Compliance Reference</b>	Measure R Local Return Program Guidelines Section A(II)(8) states that "Transportation Administration expenditures are those administrative costs associated with and incurred for the aforementioned eligible projects/program. Direct administration expenditures includes those fully burdened costs that are directly associated with administering LR program or projects, and includes salaries and benefits, office supplies and equipment, and other overhead costs. All costs must be associated with developing, maintaining, monitoring, and coordinating, reporting and budgeting specific LR project(s). Expenditures must be reasonable and appropriate to the activities undertaken by the locality. The administrative expenditures for any year shall not exceed twenty percent (20%) of the total LR annual expenditures".
<b>Condition</b>	The City's administration expenditures exceeded more than 20 percent of its MRLRF total annual local return expenditures by \$130,720.
<b>Cause</b>	The City is aware of the 20% limit of actual expenditures on Direct Administration. However, budgeted project expenditures were lower than expected which reduced the threshold for allowable administrative costs.
<b>Effect</b>	Administrative expenses that exceeded 20% of the total annual local return expenditures are not allowable expenditures under the Measure R Local Return Program Guidelines.
<b>Recommendation</b>	We recommend for the City to establish procedures to ensure that administrative expenditures claimed under the local return funds be limited to 20 percent of the fund's total annual expenditures. The excess amount of \$130,720 was part of the questioned cost in CF Findings #2018-005 and #2018-006 which was recommended to be reimbursed to the MRLRF account.
<b>Management's Response</b>	The City will establish procedures that will ensure greater control of the administrative expenditures claimed under the Local Return funds to be limited to 20 percent of the fund's total annual expenditures.

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<b>Finding #2018-009</b>	<b>City of Culver City</b>
<b>Compliance Reference</b>	Section B (II) (I) of the Measure R Local Return Program Guidelines states that "To maintain eligibility and meet Measure R LR program compliance requirements, jurisdictions shall submit to LACMTA an Expenditure Plan (Form One) annually by August 1st of each year".
<b>Condition</b>	The City submitted its Expenditure Plan (Form One) on August 9, 2018, eight days beyond the due date set under the Guidelines.  This is a repeat finding from prior year audit.
<b>Cause</b>	The condition was due to oversight by City Staff.
<b>Effect</b>	The City's Expenditure Plan (Form One) was not submitted timely. The City was not in compliance with the Local Return Guidelines.
<b>Recommendation</b>	We recommend for the City to establish procedures to ensure that all reporting deadlines are met.
<b>Management Response</b>	The City will establish clear program schedules and implement procedures to ensure that all reporting deadlines are met.



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<b>Finding #2018-010</b>	<b>City of Huntington Park</b>
<b>Compliance Reference</b>	<p>Section B (II) of Measure R Local Return Program Guideline states that "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1st of each year.</p> <p>Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.</p>
<b>Condition</b>	<p>The City claimed expenditures under the MRLRF Project code 3.20, Pacific Boulevard Improvements, totaling \$38,527, with no prior approval from LACMTA.</p> <p>Although we found the expenditures for these projects to be eligible for Measure R Local Return funding, these projects had no prior approval from LACMTA.</p> <p>The City submitted a revised Expenditure Plan (Form One) to the LACMTA Program Manager and obtained a retroactive approval of the said project on December 20, 2018.</p>
<b>Cause</b>	The finding was due to oversight by City staff.
<b>Effect</b>	Measure R Local Return funds were expended towards project expenditures without prior approval by the LACMTA.
<b>Recommendation</b>	We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on any Local Return-funded projects.
<b>Management Response</b>	City staff assigned to preparing the appropriate forms and meeting all of the LACMTA deadlines have been advised of the requirements to submit an expenditure Plan by August 1st of each year. In addition, a date has been set on the director's calendar as a reminder of the August 1st deadline. Also, the Finance Department has also implemented procedures to verify LACMTA approval prior to expending any funds.
<b>Finding Corrected During the Audit</b>	LACMTA Program Manager granted a retroactive approval of the project budget on December 20, 2018. No follow up is required.

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<b>Finding #2018-011</b>	<b>City of Maywood</b>
<b>Compliance Reference</b>	<p>Section B (II) of Measure R Local Return Program Guideline states that "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1<sup>st</sup> of each year.</p> <p>Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.</p>
<b>Condition</b>	<p>The City claimed expenditures for MRLRF project code 8.10, Administration Costs, for \$25,741 with no prior approval from LACMTA.</p> <p>This is a repeat finding from FY 2016/17 audit.</p>
<b>Cause</b>	The former staff was not properly trained in Measure R Local Return Program Guidelines, including all the spending regulations, compliance requirements, eligibility and reporting deadlines.
<b>Effect</b>	The City claimed expenditures totaling \$25,741 without prior approval from LACMTA. Lack of prior approval results in non-compliance which could impact future funding or result in questioned costs that require funding to be returned to LACMTA.
<b>Recommendation</b>	We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on Measure R-funded projects.
<b>Management's Response</b>	We concur with the recommendation. Staff will be attending LACMTA workshops and trainings on all LACMTA programs. We believe with this required training, staff will better understand Measure R expenditure program eligibility, approval and deadline filings. In addition, City staff is establishing internal procedures to ensure that required LACMTA procedures are followed prior to spending on any local return funded projects.
<b>Finding Corrected During the Audit</b>	The City submitted a revised Expenditure Plan (Form One) to the LACMTA Program Manager and obtained a retroactive approval of the said project on December 21, 2018.

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<b>Finding #2018-012</b>	<b>City of Maywood</b>
<b>Compliance Reference</b>	<p>Section VII of Measure R Local Return Guidelines states that “It is the Jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these guidelines...”</p> <p>Also, Section B of the Assurance and Understanding regarding receipt and use of Measure R Local Return Funds states that, “For projects to be funded in part or in whole with Measure R LR funds, the Jurisdiction will comply with all applicable federal, state, and local laws and regulations, including compliance with the procurement requirements”.</p> <p>Further, Section 3.4.10 (b) of the City’s procurement policy states that “Distribution of notice inviting formal bids or request for proposals. A notice inviting formal bids or a request for proposal or qualifications, as appropriate, shall be posted at least once and at least ten (10) calendar days before the date of opening the bids or proposals. The notice shall be published once at least ten (10) calendar days before the date of opening the bids in a newspaper of general circulation ...”</p>
<b>Condition</b>	<p>During the fiscal year 2018, the City made payments to V&amp;M Iron Works under MRLRF project code 1.05 Local Street Improvement Project, totaling \$309,679. Payments were supported by copies of canceled checks and approved invoices by authorized city officials.</p> <p>During our review of the City’s compliance with the procurement guidelines, we noted that the services provided by the above-mentioned vendor was not procured in accordance with the City’s procurement policy. The City was not able to provide documents to support that bids or proposals were requested or publicly advertised.</p> <p>In February 2018, Authorities searched and subjected the City to investigations for allegations of fraud and corruption. Documents, including the accounting records of the City, were confiscated by the LA County District Attorney’s Office. This vendor is included in the list of vendors that are currently investigated by the LA County District Attorney’s Office. As of the date of this report, investigations are still ongoing.</p>
<b>Cause</b>	<p>The previous staff were not properly trained in Measure R Guidelines, including all the spending regulations, compliance requirements, eligibility and reporting deadlines.</p>

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<b>Finding #2018-012 (continued)</b>	<b>City of Maywood</b>
<b>Effect</b>	For fiscal year 2018, the amount paid to the maintenance contract with V&M Iron without following the City’s procurement policy resulted in questioned costs of \$309,679.
<b>Recommendation</b>	<p>We recommend for the City to fully reimburse its Measure R Local Return Fund account the amount of \$309,679, including interest.</p> <p>We further recommend that the City establish controls and educate staff who reviews expenses, so they can spot fraudulent activity procedures to ensure that the City is in compliance with its procurement policies and procedures at all times.</p>
<b>Management’s Response</b>	<p>We concur with the LACMTA Auditor’s recommendation to follow the City’s Procurement Policy, and this has been the City’s current practice since 2017, but we do not concur with the LACMTA Auditor’s recommendation to reimburse \$309,679 of Measure R funds to LACMTA.</p> <p><b>Dispute:</b>                  We dispute the audit finding that the City did not follow its procurement policy and ignored the RFP advertisement procedure for formal bidding. The fact that the City is unable to provide absolute proof of advertisement should not be the grounds for disqualification of eligible funds. We were unable to provide absolute proof requested but provided circumstantial proof (corroborated by staff and the City Attorney) that substantiates our claim that RFP advertising procedures were in accordance with our procurement policy. The City staff is always required to adhere to all adopted policies as established by ordinance.</p> <p><b>RFP timeline background:</b>                  In February 2016, Council approved a notice inviting RFP for General Maintenance. Due to the lack of competitive responses from outside vendors, Council approved to post for a second RFP notice inviting RFP for General Maintenance on May 2016.</p> <p>On a September 14, 2016 staff report, the City Attorney indicated that although we posted this RFP twice, we only received a sole bidder (V&amp;M Ironworks). Under the advice of the City Attorney, Council proceeded to approve the agreement with V&amp;M Ironworks. V&amp;M has been working for the City since 2010, and for any bid process, they provide all the document requirements under the RFP guidelines.</p>

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 (Continued)**

<p><b>Finding #2018-012 (continued)</b></p>	<p><b>City of Maywood</b></p>
<p><b>Management's Response (continued)</b></p>	<p>After interviewing staff during this RFP period, staff attested to the fact that the City went to bidding twice, with one sole bidder responsive to the City's RFP posting. This further corroborates the September 14, 2016 staff report prepared by the City attorney indicating we posted this RFP twice, but only received one bid for the project.</p> <p><b>Financial and Staffing Struggles</b>          Since the City's disbandment in June 2010, the City has been struggling to regain itself as a full-service City. We are dedicated to providing the residents of Maywood continued public work and infrastructure projects to improve the quality of life to our residents. The City relies on the availability of special revenue funds/resources (CDBG, LACMTA, Gas Tax, etc) to fund many of our public works projects. The reimbursement of Measure R Local return of \$309,679 is significant to the City's General Fund, that will financially impact our general operating fund and will reduce some services we provide to the residents.</p> <p><b>Facts to reconsider with the Audit Findings</b></p> <ul style="list-style-type: none"> <li>• All the parties involved in the advertising posting no longer work for the City.             <ul style="list-style-type: none"> <li>○ The City Attorney mentions the RFP has been posted twice in his Staff Report to Council.</li> <li>○ The Finance personnel has attested to having direct knowledge of seeing the RFP posting twice</li> </ul> </li> <li>• Our City attorney, who submitted the Staff report to Council indicating that the RFP invitation had been posted twice, passed recently and was unable to provide us further clarification or documentation of the RFP invitation in question.</li> <li>• All our original files (January 2015 to February 2018) are with the District Attorney's Office.</li> <li>• The City hired a new Website company, who designed our current website at the end of 2017. We are able to see what has been published Online since December 2017, we have no access however to see what was published prior to that month.</li> </ul>

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<p><b>Finding #2018-012 (continued)</b></p>	<p><b>City of Maywood</b></p>
<p><b>Management's Response (continued)</b></p>	<ul style="list-style-type: none"> <li>• NOTE: In addition to what our auditor indicated in the compliance reference, Section 3.4.10 (b) of the City's procurement policy allows -as part of the Formal Bidding procedure- the alternative to post a bidding invitation in at least three (3) public places in the City which have been designated as the places for posting public notices. This is the alternative that is currently used by the City to post agendas, minutes and biddings for events. Staff posts on:             <ul style="list-style-type: none"> <li>▪ In the City's website</li> <li>▪ Copies of the Invitation on Front Counter and the board (outside City Hall)</li> <li>▪ In the Library</li> </ul> </li> </ul> <p><b>Conclusion:</b> Over the course of my tenure as the Finance Director, I have strived to build trusting working relationship with our vendors and independent auditors. As a representative of the City, I take professional pride on my ability to resolve audit discrepancies and improve transparency in our financial transactions. If we are in non-compliance of program requirements, we immediately implement policies and procedures to ensure we are in full compliance to avoid findings in the future.</p> <p>Due to lack of full-time personnel for several years, the City was unable to pursue capital and public works projects that would improve the City of Maywood. The finance department now has full-time professional accountants who are responsible for ensuring internal control policies and procedures are followed in accordance with ordinance. Since fiscal year 17/18, we now contract with an Engineering firm who oversees public works projects. They are experienced and understand the importance of contractors following our policies and procedures and in full compliance with grant agencies guidelines. Recommending the return of \$309,679 to LACMTA is an excessive measure -considering the documentation and information provided- that will generate the stoppage of some of these projects while adding unnecessary financial burden to our City.</p>

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 (Continued)**

<b>Finding #2018-012 (continued)</b>	<b>City of Maywood</b>
<b>Management's Response (continued)</b>	<p>In closing, while I appreciate our Auditor's reservations (expressed during informal conversation) due to the open investigation by the D.A.'s office with the City, this case remains open. The City is working to resolve this investigation with the D.A.'s Office and working with outside agencies who have inquired about the results of this pending case. The City's position is that we have followed all the accounting and auditing standards in our procurement process. We are requesting that you reconsider the facts based on what we are able to provide to substantiate our posting claim with the standard of reasonableness taking into consideration the limited resources and Staff available at the time of the posting claim.</p>
<b>Auditor's Rejoinder</b>	<p>Auditors recognize the fact that there are issues with respect to employee turnover and lack of resources within the City organization. Auditors also recognize that documents supporting transactions and contracts previously entered into by the City may no longer be available because of turnover.</p> <p>However, professional standards require auditors to not just rely on management representation but also to find corroborating evidence to support conclusions and to use professional judgment.</p> <p>Street maintenance is a very common type of service provided by a lot of vendors in the Los Angeles County area. Vendors information are available online or in the other City's vendors list. The City should expand its request for RFP with the best intention to find the most reasonable cost of service that would result in the most economical way of spending public funds.</p>

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<b>Finding #2018-013</b>	<b>City of Pico Rivera</b>
<b>Compliance Reference</b>	Section B(II) of the Measure R Local Return Program Guidelines states that "Jurisdictions shall submit to LACMTA an Expenditures Report (Form Two), annually, by October 15th (following the conclusion of the fiscal year) ..."
<b>Condition</b>	The City submitted its Form Two on October 25, 2018, ten days after the due date of October 15.
<b>Cause</b>	In the past 12 months, the City realized that the prior consultant utilized to assist with LACMTA reporting and related capital projects had made several errors which made reporting difficult. In an effort to improve reporting, it was necessary to double-check prior year's work, update schedules, and better utilize the City's new ERP system to properly record transactions. The delay was directly related to the City's commitment to ensuring all information reported was accurate.
<b>Effect</b>	The City's Expenditure Report (Form Two) was not submitted timely. The City was not in compliance with the Local Return Guidelines.
<b>Recommendation</b>	We recommend for the City to establish procedures and controls to ensure that Expenditure Report (Form Two) is submitted by October 15 as required by the Guidelines.
<b>Management's Response</b>	The City will ensure timely submission of Form Two to LACMTA moving forward.



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<b>Finding #2018-014</b>	<b>City of Pomona</b>
<b>Compliance Reference</b>	<p>Section B (II) of Measure R Local Return Program Guideline states that "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1st of each year.</p> <p>Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.</p>
<b>Condition</b>	<p>The City claimed expenditures under the following MRLRF Projects, with no prior approval from LACMTA:</p> <ul style="list-style-type: none"> <li>a. Project code 1.05, Street Rehabilitation – Slurry Seal and Overlay, totaling \$16, 228;</li> <li>b. Project code 1.90, Plaza Park Improvements, totaling \$49,000;</li> <li>c. Project code 2.29, Traffic Operations, Communication Upgrade, totaling \$22,870; and</li> <li>d. Project code 1.25, ADA Path of Travel – Citywide (CDBG), totaling \$18,705.</li> </ul> <p>Although we found the expenditures for these projects to be eligible for Measure R Local Return funding, these projects had no prior approval from LACMTA.</p>
<b>Cause</b>	The finding was caused by an oversight by City staff.
<b>Effect</b>	The City claimed expenditures totaling \$106,803 without prior approval from LACMTA. Lack of prior approval results in non-compliance which could impact future funding or result in questioned costs that require funding to be returned to LACMTA.
<b>Recommendation</b>	We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on any Local Return-funded projects.

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<b>Finding #2018-014 (continued)</b>	<b>City of Pomona</b>
<b>Management's Response</b>	<p>The expenditures submitted by the City are eligible costs under Measure R LR Funds. The City, under the Measure R LR Guidelines, did submit an Expenditure Plan (Form One), provided a listing of the estimated projects for FY 2017/18 by the August 1 deadline. A total of four projects, were retroactively approved by LACMTA in December 2018.</p> <p>The City has been working with City staff members and providing training to ensure proper approvals are received from LACMTA for projects requesting LACMTA funds. The submittal process requires two members of Staff from the submitting Department as well as a Staff member from Finance to review documentation and submittals to LACMTA. A procedural check-off list has been established to ensure each procedure is followed and has received the approvals. The procedural check-off list will require a two department review process (Finance and Public Works). In addition, this document will be reviewed on a quarterly basis.</p>
<b>Finding Corrected During the Audit</b>	<p>The City subsequently submitted a revised Expenditure Plan (Form One). The LACMTA Program Manager granted a retroactive approval of the budgets for the said projects on December 11, 2018 and December 20, 2018. No follow up is required.</p>

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<b>Finding #2018-015</b>	<b>City of Santa Fe Springs</b>
<b>Compliance Reference</b>	Section B (II) (1) of the Measure R Local Return Program Guidelines states that "To maintain eligibility and meet Measure R LR program compliance requirements, jurisdictions shall submit to LACMTA an Expenditure Plan (Form One) annually by August 1 <sup>st</sup> of each year".
<b>Condition</b>	The City submitted its Expenditure Plan (Form One) on August 3, 2017, two days after the due date set under the Guidelines.
<b>Cause</b>	There was a recent change in City Manager position whose role includes working together with the Transportation Services Supervisor to ensure deadlines are met.
<b>Effect</b>	The City missed its deadline of August 1 for the submission of Form One.
<b>Recommendation</b>	We recommend for the City to establish and document procedures to ensure that all reporting deadlines are met.
<b>Management's Response</b>	The Transportation Services Supervisor has been instructed to calendar all reporting deadlines and to include an alert of no less than 30 days prior to such deadlines. He has also been instructed to alert the Director of Public Works when reports are submitted.

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 (Continued)**

<b>Finding #2018-016</b>	<b>City of Westlake Village</b>
<b>Compliance Reference</b>	Section B (II) (1) of the Measure R Local Return Program Guidelines states that "To maintain eligibility and meet Measure R LR program compliance requirements, jurisdictions shall submit to LACMTA an Expenditure Plan (Form One) annually by August 1 <sup>st</sup> of each year".
<b>Condition</b>	The City submitted its Expenditure Plan (Form One) on August 4, 2017, three days after the due date set under the Guidelines.
<b>Cause</b>	The person responsible for submitting the Form One for FY 2017-18 was administering the Local Return program for the first time and was unfamiliar with the August 1 <sup>st</sup> submission deadline.
<b>Effect</b>	The City missed its deadline of August 1 for the submission of Form One.
<b>Recommendation</b>	We recommend for the City to establish and document procedures to ensure that all reporting deadlines are met.
<b>Management's Response</b>	The City concurs with the findings and has taken steps to ensure that all required forms will be submitted by the relevant deadlines. Specifically, the Finance Director is now responsible for submitting all Local Return program forms and documentation, which was not the case in FY 2017-18.



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