



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

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

Report on Compliance

We have audited the compliance of the thirty-nine (39) Cities identified in Schedule 1, with the types of compliance requirements described in the Measure M Ordinance enacted through a Los Angeles County voter-approved law in November 2016; Measure M Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (LACMTA), approved by its Board of Directors on June 22, 2017 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure M 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 M Local Return program occurred. An audit includes examining, on a test basis, evidence about each City's compliance with the Guidelines and Requirements and performing such other procedures as we considered necessary in the circumstances.

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



Opinion

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 M 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 M Audit Results (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2018-001 through #2018-009. 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 M Local Return program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Guidelines and Requirements, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of each City's internal control over compliance.

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

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



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.

Vacques & Company LLP

**Glendale, California
December 31, 2018**

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

The audits of the 39 cities identified in Schedule 1 have resulted in 9 findings. The table below summarizes those findings:

Finding	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs	Resolved During the Audit
Interest income was not properly allocated and recorded in Measure M Local Return Fund account.	1	Pomona (#2018-008)	\$ 9,705	\$ -
Funds were expended without LACMTA's approval.	4	Baldwin Park (#2018-001) Bell (#2018-002) Montebello (#2018-005) Pomona (#2018-009)	512,897 2,690 1,231 11,021	512,897 2,690 1,231 11,021
Expenditure Report (Form M-Two) was not submitted timely.	4	Huntington Park (#2018-003) Maywood (#2018-004) Monterey Park (#2018-006) Pico Rivera (#2018-007)	None None None None	- - - -
Total Findings and Questioned Costs	9		\$ 537,544	\$ 527,839

Details of the findings are in Schedule 2.

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

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

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

Compliance Area Tested	Bell	Bell Gardens	Beverly Hills
Funds were expended for transportation purposes.	Compliant	Compliant	Not applicable
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Not applicable
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure M Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	See Finding #2018-002	Compliant	Not applicable
Expenditure Plan (Form M-One) was submitted timely.	Compliant	Compliant	Not applicable
Expenditure Report (Form M-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 M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2018**

Compliance Area Tested	Calabasas	Carson	Commerce
Funds were expended for transportation purposes.	Not applicable	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Not applicable	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure M Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Not applicable	Compliant	Compliant
Expenditure Plan (Form M-One) was submitted timely.	Not applicable	Compliant	Compliant
Expenditure Report (Form M-Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Not applicable	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 M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2018**

Compliance Area Tested	Compton	Cudahy	Culver City
Funds were expended for transportation purposes.	Not applicable	Not applicable	Not applicable
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Not applicable	Not applicable	Not applicable
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure M Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Not applicable	Not applicable	Not applicable
Expenditure Plan (Form M-One) was submitted timely.	Not applicable	Not applicable	Not applicable
Expenditure Report (Form M-Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Not applicable	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 M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2018**

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

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

Compliance Area Tested	Hidden Hills	Huntington Park	Industry
Funds were expended for transportation purposes.	Not applicable	Not applicable	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Not applicable	Not applicable	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure M Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Not applicable	Not applicable	Compliant
Expenditure Plan (Form M-One) was submitted timely.	Not applicable	Not applicable	Compliant
Expenditure Report (Form M-Two) was submitted timely.	Compliant	See Finding #2018-003	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Not applicable	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 M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2018**

Compliance Area Tested	Inglewood	Irwindale	La Puente
Funds were expended for transportation purposes.	Not applicable	Compliant	Not applicable
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Not applicable	Compliant	Not applicable
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure M Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Not applicable	Compliant	Not applicable
Expenditure Plan (Form M-One) was submitted timely.	Not applicable	Compliant	Not applicable
Expenditure Report (Form M-Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Not applicable	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 M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2018**

Compliance Area Tested	Lawndale	Lynwood	Malibu
Funds were expended for transportation purposes.	Not applicable	Not applicable	Not applicable
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Not applicable	Not applicable	Not applicable
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure M Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Not applicable	Not applicable	Not applicable
Expenditure Plan (Form M-One) was submitted timely.	Not applicable	Not applicable	Not applicable
Expenditure Report (Form M-Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Not applicable	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 M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2018**

Compliance Area Tested	Maywood	Montebello	Monterey Park
Funds were expended for transportation purposes.	Not applicable	Compliant	Not applicable
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Not applicable	Compliant	Not applicable
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure M Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Not applicable	See Finding #2018-005	Not applicable
Expenditure Plan (Form M-One) was submitted timely.	Not applicable	Compliant	Not applicable
Expenditure Report (Form M-Two) was submitted timely.	See Finding #2018-004	Compliant	See Finding #2018-006
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 M 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.	Not applicable	Compliant	Not applicable
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Not applicable	Compliant	Not applicable
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure M Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	Compliant	See Finding #2018-008	Compliant
Funds were expended with LACMTA's approval.	Not applicable	See Finding #2018-009	Not applicable
Expenditure Plan (Form M-One) was submitted timely.	Not applicable	Compliant	Not applicable
Expenditure Report (Form M-Two) was submitted timely.	See Finding #2018-007	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 M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2018**

Compliance Area Tested	San Fernando	Santa Fe Springs	Santa Monica
Funds were expended for transportation purposes.	Not applicable	Not applicable	Not applicable
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Not applicable	Not applicable	Not applicable
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure M Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Not applicable	Not applicable	Not applicable
Expenditure Plan (Form M-One) was submitted timely.	Not applicable	Not applicable	Not applicable
Expenditure Report (Form M-Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Not applicable	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 M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2018**

Compliance Area Tested	South El Monte	South Gate	Walnut
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 M Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form M-One) was submitted timely.	Compliant	Compliant	Compliant
Expenditure Report (Form M-Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Not applicable	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 M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2018**

Compliance Area Tested	Vernon	West Hollywood	Westlake Village
Funds were expended for transportation purposes.	Compliant	Not applicable	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Not applicable	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure M Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Not applicable	Compliant
Expenditure Plan (Form M-One) was submitted timely.	Compliant	Not applicable	Compliant
Expenditure Report (Form M-Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Not applicable	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 M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2018**

Finding #2018-001	City of Baldwin Park
Compliance Reference	<p>Section XXV of the Measure M Guidelines states that, "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form M-One), annually, by August 1st of each year.</p> <p>Expenditure Plan (Form M-One) provides a listing of projects funded with Measure M LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. Part II is to be filled out for capital projects (projects over \$250,000). LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.</p>
Condition	<p>The City claimed expenditures under the following projects with no prior approval from LACMTA.</p> <ul style="list-style-type: none"> a. Project code 01-002, Street Rehabilitation Project, totaling \$399,954; b. Project code 07-001, PS and E Design of Street Rehabilitation Project, totaling \$20,822; and c. Project code 08-001, Measure M Administration, totaling \$92,121. <p>Although we found the expenditures to be eligible for Local Return funding, these projects had no prior approval from LACMTA.</p>
Cause	The condition was due to an unintentional oversight by the City.
Effect	Measure M LR funds of \$512,897 were expended towards project expenditures without prior approval by the LACMTA.
Recommendation	We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on any Local Return-funded projects.
Management's Response	The City believes this oversight was an isolated incident since Measure M is a new program from LACMTA and was not active at the beginning of the fiscal year. The City recognizes the importance of submitting all LACMTA Forms timely. We will establish procedures to ensure all forms are submitted by the due date.
Finding Corrected During the Audit	LACMTA Program Manager subsequently granted a retroactive approval of the said projects on August 23, 2018. No follow up is required.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2018
(Continued)

Finding #2018-002	City of Bell
Compliance Reference	<p>Section XXV of the Measure M Guidelines states that, "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form M-One), annually, by August 1st of each year.</p> <p>Expenditure Plan (Form M-One) provides a listing of projects funded with Measure M LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. Part II is to be filled out for capital projects (projects over \$250,000). LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.</p>
Condition	<p>The City claimed expenditures for MMLRF project code 8.10, Fund Administration, totaling \$2,690, with no prior approval from LACMTA:</p> <p>The City submitted a revised Expenditure Plan (Form M-One) to the LACMTA Program Manager and obtained a retroactive approval of the said project on October 3, 2018.</p>
Cause	The City concurs with the finding that a revised Expenditure Plan (Form M-One) should have been submitted for the project that will be funded with Measure M. The finding was caused by an oversight by City staff.
Effect	The City claimed expenditures totaling \$2,690 without prior approval from LACMTA. Lack of prior approval results in non-compliance which could impact future funding or result in questioned costs that require funding to be returned to LACMTA.
Recommendation	We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on Measure M-funded projects.
Management's Response	The City will correct procedures to ensure timely approval of project budgets.
Finding Corrected During the Audit	LACMTA Program Manager granted retroactive approval of the said project on October 3, 2018. No additional follow up is required.

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

Finding #2018-003	City of Huntington Park
Compliance Reference	Section XXV of the Measure M Guidelines states that, "The submittal of an Expenditure Report (Form M-Two) is also required to maintain legal eligibility and meet Measure M LR program compliance requirements. Jurisdiction shall submit a Form M-Two, to Metro annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City submitted its Form M-Two on November 20, 2018, 36 days beyond the due date set under the Guidelines.
Cause	The condition was due to oversight by City Staff.
Effect	Expenditure Report (Form M-Two) was not submitted timely as required by the Guidelines.
Recommendation	We recommend for the City to establish procedures and controls to ensure that Expenditure Report (Form M-Two) is submitted by October 15 as required by the Guidelines.
Management's Response	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 report (Form M-Two) by October 15th following the conclusion of the fiscal year. In addition, the department director has set a reminder notice to ensure that the deadline is met each year. Also, the Finance Department staff have implemented procedures to verify that LACMTA has approved an expenditure plan prior to expenditure of any Measure M funds.
Finding Corrected During the Audit	The City subsequently submitted the form. No follow up is required.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2018
(Continued)

Finding #2018-004	City of Maywood
Compliance Reference	Section XXV of Measure M Guidelines states that, "The submittal of an Expenditure Report (Form M-Two) is also required to maintain legal eligibility and meet Measure M LR program compliance requirements. Jurisdiction shall submit a Form M-Two, to Metro annually, by October 15 th (following the conclusion of the fiscal year)".
Condition	The City submitted its Expenditure Report (Form M-Two) on October 19, 2018, four (4) days after the due date set under the Guidelines.
Cause	The former staff was not properly trained in Measure M Guidelines, including all the spending regulations, compliance requirements, eligibility and reporting deadlines.
Effect	The City's Expenditure Report (Form M-Two) was not submitted timely. The City was not in compliance with the Local Return Guidelines.
Recommendation	We recommend for the City to establish procedures to ensure that all reporting deadlines are met.
Management's Response	<p>We concur with the LACMTA Auditor's recommendation. Staff will be attending LACMTA workshops and trainings on all LACMTA programs. We believe with this required training, staff will better understand Measure M expenditure program eligibility, approval and deadline filings.</p> <p>Since this was the first year of Measure M funds and with no projects funded, City staff did not fully understand the compliance requirements to file an Expenditure report regardless if a project was funded. New City staff members are now aware of non-expenditure reporting, including deadlines. In addition, City staff is establishing internal procedures to ensure required LACMTA procedures are followed regarding reporting deadlines.</p>

Los Angeles County Metropolitan Transportation Authority
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(Continued)

Finding #2018-005	City of Montebello
Compliance Reference	<p>Section XXV of the Measure M Guidelines states that, "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form M-One), annually, by August 1st of each year.</p> <p>Expenditure Plan (Form M-One) provides a listing of projects funded with Measure M LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. Part II is to be filled out for capital projects (projects over \$250,000). LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.</p>
Condition	<p>The City claimed expenditures for MMLRF project code 8.10, Administrative Costs, totaling \$1,231, with no prior approval from LACMTA.</p> <p>Although we found the expenditures for this project to be eligible for Measure M Local Return funding, this project had no prior approval from LACMTA.</p> <p>The City submitted a revised Expenditure Plan (Form M-One) to the LACMTA Program Manager and obtained a retroactive approval of the said project on September 26, 2018.</p>
Cause	The finding was caused by an oversight by City staff.
Effect	The City claimed expenditures totaling \$1,231 without prior approval from LACMTA. Lack of prior approval results in non-compliance which could impact future funding or result in questioned costs that require funding to be returned to LACMTA.
Recommendation	We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on Measure M-funded projects.
Management's Response	Management agrees with the recommendation and will ensure compliance.
Finding Corrected During the Audit	LACMTA Program Manager granted a retroactive approval of the project budget on September 26, 2018. No follow up is required.

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

Finding #2018-006	City of Monterey Park
Compliance Reference	Section XXV of the Measure M Guidelines states that, "The submittal of an Expenditure Report (Form M-Two) is also required to maintain legal eligibility and meet Measure M LR program compliance requirements. Jurisdiction shall submit a Form M-Two, to Metro annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City submitted its Form M-Two on October 17, 2018, 2 days after the due date set under the Guidelines.
Cause	The condition was due to oversight by City Staff.
Effect	Expenditure Report (Form M-Two) was not submitted timely as required by the Guidelines.
Recommendation	We recommend for the City to establish procedures and controls to ensure that Expenditure Report (Form M-Two) is submitted by October 15 as required by the Guidelines.
Management's Response	The City will ensure timely completion of all transactions regarding all LACMTA funds including Measure M to enhance preparation and submission of Form M-Two before the due date.
Finding Corrected During the Audit	The City subsequently submitted the form. No follow up is required.

Los Angeles County Metropolitan Transportation Authority
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(Continued)

Finding #2018-007	City of Pico Rivera
Compliance Reference	Section XXV of the Measure M Guidelines states that, "The submittal of an Expenditure Report (Form M-Two) is also required to maintain legal eligibility and meet Measure M LR program compliance requirements. Jurisdiction shall submit a Form M-Two, to Metro annually, by October 15 th (following the conclusion of the fiscal year)."
Condition	The City submitted its Form M-Two on October 25, 2018, 10 days after the due date of October 15.
Cause	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.
Effect	The City's Expenditure Report (Form M-Two) was not submitted timely. The City was not in compliance with the Local Return Guidelines.
Recommendation	We recommend for the City to establish procedures and controls to ensure that Expenditure Report (Form M-Two) is submitted by October 15 as required by the Guidelines.
Management's Response	The City will ensure timely submission of Form M-Two to LACMTA moving forward.
Finding Corrected During the Audit	The City subsequently submitted the form. No follow up is required.

Los Angeles County Metropolitan Transportation Authority
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(Continued)

Finding #2018-008	City of Pomona
Compliance Reference	Section XXV of the Measure M Guidelines states that, "Jurisdictions are required to establish a separate account, or subaccount (line item), and deposit all Measure M LR revenues, interest earnings received and other income earned (such as fare revenues, revenue from advertising, etc.) in that account.
Condition	The City has not allocated appropriate share of interest earned by its Measure M Local Return Fund for the year ended June 30, 2018. Therefore, the Form M-Two submitted by the City to LACMTA did not include interest income earned by Measure M Local Return funds. An estimated amount of interest of \$9,705 was calculated based on the average annual yield of investments.
Cause	The finding was caused by an oversight by City staff.
Effect	Interest earnings on the cash balance was not appropriately allocated to the MMLRF account. Noncompliance with the Guidelines could result in suspension of disbursements to the City by LACMTA until the City is in compliance with the requirement.
Recommendation	We recommend that the City comply with the Guidelines and transfer the interest earnings earned by the Measure M Local Return Fund in FY 2017/18.
Management's Response	The Measure M fund was new for FY 2017/18 and the allocation of interest was overlooked. The City has already corrected the issue as interest was allocated for the first quarter of FY 18/19 and will continue to be allocated going forward.

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(Continued)

Finding #2018-009	City of Pomona
Compliance Reference	<p>Section XXV of the Measure M Guidelines states that, "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form M-One), annually, by August 1st of each year.</p> <p>Expenditure Plan (Form M-One) provides a listing of projects funded with Measure M LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.</p>
Condition	<p>The City claimed expenditures under the MMLRF Project code 8.10, Fund Administration, totaling \$11,021, with no prior approval from LACMTA.</p> <p>Although we found the expenditures for this project to be eligible for Measure M Local Return funding, this project had no prior approval from LACMTA.</p> <p>The City submitted a revised Expenditure Plan (Form M-One) to the LACMTA Program Manager and obtained a retroactive approval of the said project on October 12, 2018.</p>
Cause	The finding was caused by an oversight by City staff.
Effect	The City claimed expenditures totaling \$11,021 without prior approval from LACMTA. Lack of prior approval results in non-compliance which could impact future funding or result in questioned costs that require funding to be returned to LACMTA.
Recommendation	We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on any Local Return-funded projects.

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 (Continued)**

Finding #2018-009 (continued)	City of Pomona
Management Response	<p>The expenditures submitted by the City are eligible costs under Measure M Funds. The City, under the Measure M LR Guidelines, did submit an Expenditure Plan (Form M-One), provided a listing of the estimated projects for FY 2017-18 by the August 1 deadline. A total of one project in the amount of \$11,021 was retro-actively approved by LACMTA in October 2018.</p> <p>The City has been working with City staff members and providing training to ensure proper approvals received from LACMTA for projects requiring LACMTA funds. The training process requires two members of Staff from the submitting Department to understand LACMTA procedures and submittal process. 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 two departments review process (Finance and Public Works). In addition, this document will be reviewed on a quarterly basis.</p>
Finding Corrected During the Audit	LACMTA Program Manager granted a retroactive approval of the project budget on October 12, 2018. No follow up is required.



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