



Measure R Oversight Committee Annual Report on FY14 Audits

April 6, 2015

Measure R Independent Taxpayers Oversight Committee of Metro

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



Metro[®]

Measure R

Independent
Taxpayers
Oversight
Committee of
Metro

April 26, 2015

To: Board of Directors

From: Justice Candace Cooper, Chair
Measure R Independent Taxpayers Oversight Committee

Subject: Annual Report on Audits of FY 2014 Measure R Expenditures

Board Secretary's Office
Mail Stop 99-3-1
One Gateway Plaza,
Los Angeles, CA 90012

213-922-4600

Committee Members

Justice Candace Cooper
Chair

Judge Robert W. Parkin
Vice Chair

Judge Richard Kolostian
Member

On November 4, 2008, Los Angeles County voters approved Measure R that imposed a 1/2 of one percent transactions and use tax to fund county transportation improvements. Measure R established an Independent Taxpayers Oversight Committee and an oversight process to ensure that the Los Angeles County Metropolitan Transportation Authority complies with the Ordinance.

In compliance with the Ordinance, independent audits of the Measure R Special Revenue Fund and local sub-recipients were prepared. In February 2015, the Committee received the three audit reports for review. On February 9th the Oversight Committee held a special workshop to discuss the audit results with the Committee's Advisory Panel finance expert and finalized the Draft FY14 Annual Report. The Draft Annual Report and audits were distributed to Los Angeles County libraries and a notice of public hearing was posted in local newspapers.

On April 6, 2015, the Committee held both a Public Hearing to receive comments on the Draft FY14 Annual Report and audits, and a Regular Meeting to approve the Report and findings. Public comment was received on the audits and the Committee's Annual Report. At the meeting, the Committee approved the Draft Annual Report and its findings. A copy of the Committee's FY14 Annual Report is attached for your review.

The Committee will be convening soon to consider a Resolution Finding that the benefits of a short-term borrowing program secured with Measure R revenues exceed issuance and interest costs. If you have further questions, please contact Ann Kerman at (213) 922-7671.

Respectfully submitted,



Justice Candace Cooper, Chair
Measure R Independent Taxpayers Oversight Committee

cc: Metro Executive Staff

**MEASURE R INDEPENDENT TAXPAYERS OVERSIGHT COMMITTEE
OF METRO
FINAL ANNUAL REPORT ON FY14 MEASURE R AUDITS**

INTRODUCTION

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

THE AUDITS

The Independent Auditor's report on the Measure R Special Revenue Fund found that Metro complied, in all material respects, with the requirements that are applicable to the Measure R revenues and expenditures for the year ended June 30, 2014.

The audits of compliance with the Local Return Guidelines found that the 87 Cities and the County complied with the requirements in the Measure R Ordinance that are applicable to the Measure R Local Return program for the year ended June 30, 2014. However, they found 32 deficiencies in internal control over compliance, none of which were deemed material. Of those findings, six were deemed to have material weaknesses and six were found to have significant weaknesses. Five of the six findings deemed to have material weaknesses were resolved during the audit. Metro's Local Programming Department worked with the Cities to resolve the last issue after the Oversight Committee Meeting. Three of the six findings with significant deficiencies were resolved during the audit. The other three involved late form submittals and in all three instances the Cities have stated they will implement procedures to prevent future repeat findings.

MEASURE R OVERSIGHT COMMITTEE REVIEW

The Measure R Oversight Committee received the three audit reports in January 2015. Each member of the Committee reviewed the reports, and the Committee met on February 9, 2015. At that meeting, the Committee received a formal presentation from each of the three auditors on their audit reports. The Committee asked questions and received satisfactory answers to questions regarding the shelf life of EIRs, and amounts Cities needed to return to Metro in response to audit findings. The Committee noted that the instances of noncompliance have been getting smaller each year. The Committee also received a comparative analysis report on audit findings over the last four years from Metro's Chief Auditor, a status update on Measure R Local Return Compliance Status from Metro's Local Programming Department, and a presentation from the Committee's Advisory Panel Public Finance Expert, Lori Raineri of Government Financial Strategies.

MEASURE R OVERSIGHT COMMITTEE FINDINGS

The Committee finds that: 1) the audits were performed in accordance with the Ordinance that the voters approved in 2008; 2) Metro complied, in all material respects, with the requirements applicable to the Measure R revenues and expenditures for the year ended June 30, 2014; and 3) the Cities and the County complied with the requirements in the Measure R Ordinance that are applicable to the Measure R Local Return program for the year ended June 30, 2014; however, the audits found 32 deficiencies in internal control over compliance, none of which were deemed material. Of those findings, six were deemed to have material weaknesses and six were found to have significant weaknesses. Most of these findings were resolved during the audit and additional technical assistance will be provided to the Cities in the coming year.

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

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

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

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

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

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

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

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

Metro complied, in all material respects, with the requirements applicable to the Measure R revenues and expenditures for the year ended June 30, 2014;

The Cities and the County complied with the Ordinance requirements that are applicable to the Measure R Local Return program for the year ended June 30, 2014, however, the audits found 32 deficiencies in internal control over compliance, none of which were deemed material; and five of the six findings of material weaknesses were resolved during the audit. Metro's Local Programing Department resolved the last issue of material weakness after the Oversight Committee Meeting.

Three of the six findings of significant deficiencies were resolved during the audit, the other three involved late form submittals and in all three the cities have stated they will implement procedures to prevent future repeat findings.

Prepared by: Ronald Stamm, Principal Deputy County Counsel

Signed:


Michele Jackson, Metro Board Secretary

Adopted this 9th day of February, 2015.

Los Angeles County
Metropolitan Transportation Authority

**Independent Auditor's Report
On Schedule of Revenues and Expenditures
For
Measure R
Special Revenue Fund**

**For the Year Ended June 30, 2014
(With Comparative Totals For 2013)**



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

For The Year Ended June 30, 2014
(With Comparative Totals for 2013)

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Independent Auditor's Report

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

Report on the Schedule of Measure R Revenues and Expenditures

We have audited the accompanying Schedule of Measure R Revenues and Expenditures (the Schedule) of the Los Angeles County Metropolitan Transportation Authority (LACMTA) as of and for the year ended June 30, 2014, and the related notes to the Schedule, which collectively comprise LACMTA's basic Schedule as listed in the table of contents.

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

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the Schedule referred to above present fairly, in all material respects, the Measure R Revenues and Expenditures of LACMTA as of June 30, 2014, and for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

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

Other Information

As discussed in Note 3 to the Schedule, the accompanying Schedule of the Measure R Fund is intended to present the revenues and expenditures attributable to the Fund. They do not purport to, and do not, present fairly the financial position of the LACMTA, as of June 30, 2014, and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Prior-Year Comparative Information

We have previously audited the Schedule of Measure R Revenues and Expenditures of LACTMA, and we expressed an unmodified audit opinion in our report dated December 9, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2014, on our consideration of LACMTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LACMTA's internal control over financial reporting and compliance.

BCA Watson Rice, LLP

Torrance, CA
November 24, 2014

Los Angeles County Metropolitan Transportation Authority

Measure R Special Revenue Fund
Schedule of Revenues and Expenditures

For the Year Ended June 30, 2014

(With Comparative Totals for 2013)

(Amounts expressed in thousands)

	<u>2014</u>	<u>2013</u>
Revenues:		
Sales tax	\$ 714,218	\$ 684,862
Intergovernmental	7,326	1,253
Investment income	3,989	7,002
Net appreciation (decline) in fair value of investments	4,103	(5,752)
Total revenues	<u>729,636</u>	<u>687,365</u>
Expenditures:		
Administration and other transportation projects	67,973	58,237
Transportation subsidies	253,754	187,189
Total expenditures	<u>321,727</u>	<u>245,426</u>
Excess of revenues over expenditures	407,909	441,939
Other financing sources (uses)		
Transfers in	46,839	31,886
Transfers out	(979,073)	(199,903)
Total other financing sources (uses)	<u>(932,234)</u>	<u>(168,017)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (524,325)</u>	<u>\$ 273,922</u>

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

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Schedule of Revenues and Expenditures – Budget and Actual
For the Year Ended June 30, 2014
(Amounts expressed in thousands)

	<u>Budgeted Amounts</u>			Variance with Final Budget
	Original	Final	Actual	
Revenues:				
Sales tax	\$ 708,400	\$ 708,400	\$ 714,218	\$ 5,818
Intergovernmental	600	600	7,326	6,726
Investment income	-	-	3,989	3,989
Net decline in fair value of investments	-	-	4,103	4,103
Total revenues	<u>709,000</u>	<u>709,000</u>	<u>729,636</u>	<u>20,636</u>
Expenditures:				
Administration and other transportation projects	113,253	120,142	67,973	52,169
Transportation subsidies	241,772	241,272	253,754	(12,482)
Total expenditures	<u>355,025</u>	<u>361,414</u>	<u>321,727</u>	<u>39,687</u>
Excess of revenues over expenditures	353,975	347,586	407,909	60,323
Other financing sources (uses)				
Transfers in	10,279	10,279	46,839	36,560
Transfers out	(579,177)	(609,894)	(979,073)	(369,179)
Total other financing sources (uses)	<u>(568,898)</u>	<u>(599,615)</u>	<u>(932,234)</u>	<u>(332,619)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (214,923)</u>	<u>\$ (252,029)</u>	<u>\$ (524,325)</u>	<u>\$ (272,296)</u>

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

Los Angeles County Metropolitan Transportation Authority

Measure R Special Revenue Fund

Notes to the Schedule of Revenues and Expenditures

June 30, 2014

1. Organization

General

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

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

Measure R

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

2. Summary of Significant Accounting Policies

The Schedule of Revenues and Expenditures for Measure R Special Revenue Fund have been prepared in conformity with Generally Accepted Accounting Principles in the United States of America (“GAAP”) as applied to government units. The Governmental Accounting Standards Board (“GASB”) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles for governments. The more significant of LACMTA’s accounting policies with regard to the special revenue fund type are described below:

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
June 30, 2014

2. Summary of Significant Accounting Policies (Continued)

Fund Accounting

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

Basis of Accounting

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

Budgetary Accounting

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

Prior to the adoption of the budget, the Board conducts public hearings for discussion of the proposed annual budget and at the conclusion of the hearings, but not later than June 30, adopts the final budget. All appropriations lapse at fiscal year-end. The budget is prepared by fund, project, expense type, and department. The legal level of control is at the fund level and the Board must approve additional appropriations.

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
June 30, 2014

2. Summary of Significant Accounting Policies (Continued)

Budgetary Accounting (Continued)

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

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

Interest Income and Appreciation (Decline) in Fair Value of Investments

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

Use of Estimates

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

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

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

4. Intergovernmental Transactions

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

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
June 30, 2014

5. Operating Transfers

Amounts reflected as operating transfers represent permanent, legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended. All operating transfers in/out of the Measure R Special Revenue Fund have been made in accordance with all expenditure requirements of the Measure R Ordinance.

6. Audited Financial Statements

The audited financial statements for Measure R Special Revenue Fund for the year ended June 30, 2014 are included in LACMTA's Annual Audited Financial Report.

7. Litigation

LACMTA is named as a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of management, the resolution of these matters will not have a material adverse effect on the financial condition of LACMTA.

8. Subsequent Events

Long-Term Debt

In November 2014, the LACMTA Board of Directors authorized the competitive sale of bonds to refund \$184,910 of outstanding Proposition A First Tier Senior Sales Tax Revenue Bonds, Series 2005-A, in one or more transactions through June 30, 2015, to achieve debt service savings. LACMTA expects to advance refund approximately \$154,645 of the Prop A 2005-A bonds in December 2014.

Index Interest Rate Bonds

The Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2008-A1, Series 2008-A2, Series 2008-A3 and Series 2008-A4 (the "Index Interest Rate Bonds") bear interest at an Index Interest Rate. On July 28, 2014, the Series 2008-A1 Bonds were purchased by Banc of America Preferred Funding Corporation (BAPFC) and on August 1, 2014, the Series 2008-A2 Bonds were purchased by BAPFC and the Series 2008-A3 and 2008-A4 Bonds were purchased by U.S. Bank National Association, to replace the expiring liquidity facilities with Bank of America, N.A., Sumitomo Mitsui Banking Corporation, and RBC Capital Markets, LLC. The Index Interest Rate Bonds will be subject to tender for purchase on July 28, 2016 (Series 2008-A1) and August 1, 2016 (Series 2008-A2, 2008-A3 and 2008-A4) with a one year early termination clause unless extended or modified.

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

Independent Citizens' Advisory and Oversight Committee
Los Angeles County Metropolitan Transportation Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Schedule of Revenues and Expenditures (the Schedule) for Measure R Special Revenue Fund of the Los Angeles County Metropolitan Transportation Authority (LACMTA) as of and for the fiscal year ended June 30, 2014, and the related notes to the Schedule, which collectively comprised LACMTA's basic Schedule, and have issued our report thereon dated November 24, 2014.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Restriction on Use

This report is intended for the information and use of the LACMTA Board of Directors and management, and the Measure R Independent Taxpayers Oversight Committee and is not intended to be and should not be used by anyone other than these specified parties.

BCA Watson Rice, LLP

Torrance, California
November 24, 2014

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

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

Report on Compliance

We have audited the Los Angeles County Metropolitan Transportation Authority (LACMTA) compliance of the Measure R Revenues and Expenditures with the types of compliance requirements described in the *Traffic Relief and Rail Expansion Ordinance* (the Ordinance) as of and for the year ended June 30, 2014.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Measure R Revenues and Expenditures

In our opinion, LACMTA complied, in all material respects, with the requirements referred to above that could have a direct and material effect on the Measure R Revenues and Expenditures for the year ended June 30, 2014.

Report on Internal Control over Compliance

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

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

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

This report is intended solely for the information and use of the LACMTA's Board of Directors and management, and the Measure R Independent Taxpayers Oversight Committee, and is not intended to be and should not be used by anyone other than these specified parties.

BCA Watson Rice, LLP

Torrance, California
November 24, 2014

Los Angeles County Metropolitan Transportation Authority

Measure R Special Revenue Fund
Schedule of Current Year Findings

For the Year Ended June 30, 2014

None noted.

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

For the Year Ended June 30, 2014

None noted.

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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014



**Los Angeles County Metropolitan Transportation Authority
Measure R Consolidated Audit Report
Fiscal Year Ended June 30, 2014**

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SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MEASURE R ORDINANCE AND MEASURE R LOCAL RETURN GUIDELINES

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

Report on Compliance

We have audited the compliance of the thirty-eight (38) Cities and the County of Los Angeles identified in Schedule 1, with the types of compliance requirements described in the Measure R Ordinance enacted through a Los Angeles County (the County) voter approved law in November 2008; Measure R Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (LACMTA), approved by its Board of Directors on October 22, 2009 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure R Local Return Funds, executed by LACMTA and the respective Cities and the County for the year ended June 30, 2014 (collectively, the Requirements). Compliance with the above noted Requirements by the Cities and the County are identified in the accompanying Summary of Compliance Findings, Schedule 1 and Schedule 2.

Management's Responsibility

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

Auditor's Responsibility

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

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



Opinion

In our opinion, the Cities and the County complied, in all material respects, with the 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, 2014.

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 Compliance Findings, Schedule 1 and Schedule 2 as Finding Numbers 1 through 22. Our opinion is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

The management of each City and the County is responsible for establishing and maintaining effective internal control over compliance with the Guidelines and Requirements referred to above. In planning and performing our audits of compliance, we considered each City's and the County's internal control over compliance with the 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 Requirements, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of each City's and the County's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance under the Guidelines and Requirements on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance under the Guidelines and Requirements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Finding number 7 to be a material weakness.



A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines and Requirements that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Finding numbers 9, 14, and 15 to be significant deficiencies.

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

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

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

Los Angeles, California
December 15, 2014

**Los Angeles County Metropolitan Transportation Authority
Summary of Compliance Findings
Fiscal Year Ended June 30, 2014**

The audit of the thirty-eight (38) Cities and the County of Los Angeles has resulted in 22 findings. The table below shows a summary of the findings:

Finding	# of Findings	Responsible Cities/ Finding Reference	Questioned Costs	Resolved During the Audit
No adequate evidence that funds were expended for transportation purposes	5	Compton (#1) Lawndale (#2) Monterey Park (#3) Rosemead (#4) South El Monte (#5)	None \$ 5,838 12,379 2,869 10,000	None \$ - - - -
Funds were expended without LACMTA's approval	6	Bell (#6) Lawndale (#7) Los Angeles County (#8) Lynwood (#9) Montebello (#10) South El Monte (#11)	4,173 54,807 147,256 493,833 58,933 3,147	4,173 54,807 147,256 493,833 58,933 3,147
Form One (Expenditure Plan) was not submitted timely	5	Baldwin Park (#12) Bell (#13) La Puente (#14) Maywood (#15) South Gate (#16)	None None None None None	None None None None None
Form Two (Expenditure Report) was not submitted timely	4	Bell (#17) Calabasas (#18) Compton (#19) Lynwood (#20)	None None None None	None None None None
Administrative expenditures claimed exceeded the 20% admin cap under the Guidelines	2	Lawndale (#21) San Fernando (#22)	None 7,634	None -
Total Findings and Questioned Cost	22		\$ 800,869	\$ 762,149

Details of the findings can be found in Schedule 2.

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2014

Compliance Area Tested	Agoura Hills	Azusa	Baldwin Park
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Finding #12
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Not Applicable	Not Applicable	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2014
(Continued)

Compliance Area Tested	Bell	Bell Gardens	Beverly Hills
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	Finding #6	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Finding #13	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Finding #17	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Compliant	Compliant	Not Applicable
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2014
(Continued)

Compliance Area Tested	Calabasas	Carson	Commerce
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Finding #18	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Not Applicable	Not Applicable	Not Applicable
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2014
(Continued)

Compliance Area Tested	Compton	Cudahy	Culver City
Funds were expended for transportation purposes	Finding #1	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Finding #19	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Compliant	Not Applicable	Not Applicable
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2014
(Continued)

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

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2014
(Continued)

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

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2014
(Continued)

Compliance Area Tested	Inglewood	Irwindale	La Puente
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Finding #14
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Not Applicable	Not Applicable	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2014
(Continued)

Compliance Area Tested	Lawndale	Los Angeles County	Lynwood
Funds were expended for transportation purposes	Finding #2	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	Finding #7	Finding #8	Finding #9
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Finding #20
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Finding #21	Compliant	Not Applicable
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2014
(Continued)

Compliance Area Tested	Malibu	Maywood	Montebello
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	Compliant	Compliant	Finding #10
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Finding #15	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Not Applicable	Not Applicable	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2014
(Continued)

Compliance Area Tested	Monterey Park	Pico Rivera	Pomona
Funds were expended for transportation purposes	Finding #3	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Not Applicable	Not Applicable	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2014
(Continued)

Compliance Area Tested	Rosemead	San Fernando	Santa Fe Springs
Funds were expended for transportation purposes	Finding #4	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Compliant	Finding #22	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2014
(Continued)

Compliance Area Tested	Santa Monica	South El Monte	South Gate
Funds were expended for transportation purposes	Compliant	Finding #5	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	Compliant	Finding #11	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Finding #16
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Not Applicable	Compliant	Not Applicable
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2014
(Continued)

Compliance Area Tested	Walnut	West Hollywood	Westlake Village
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Not Applicable	Not Applicable	Not Applicable
Verification that funds were expended with LACMTA's approval	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2014**

Finding 1	City of Compton
Compliance Reference	According to Measure R Local Return Guidelines, Section VII, "It is the Jurisdictions' responsibility to maintain proper accounting records and documentation..."
Condition	Payroll expenditures should be supported by properly executed payrolls, time records, activity reports, vouchers, or other official documentation evidencing in proper detail the nature of the charges. We noted that two out of the thirteen timesheets tested for Measure R Fund Administration (20% cap), Project Code 8.10, were not signed by the employees. However, we did note that both of the two timesheets were properly signed by the employees' supervisors.
Cause	Payroll Division Department prepared timesheets for absent and on-leave employees without requiring employees to review and sign the timesheets once they returned to work.
Effect	The City's employee timesheets were not properly signed.
Recommendation	We recommend that the City establish controls to ensure that labor costs charged to Local Return Funds are adequately supported by signed time sheets, payroll registers, personal action forms with job descriptions or similar documentation so that Local Return expenditures are in compliance with the Guidelines.
Management's Response	Payroll Division Department will require signature authorization of all timesheets, both by the employee staff and their authorized supervisors.

Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2014
(Continued)

Finding 2	City of Lawndale
Compliance Reference	According to Measure R Local Return Guidelines, "It is the Jurisdiction's responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these guidelines."
Condition	During our review of payroll salary expenditures, we noted positions were partially funded by Measure R Local Return Fund. The allocation percentages claimed to these funds were not supported by timesheets certified by the employees or a cost allocation with verifiable data. Through our inquiry with the City's Accounting Manager, the basis of the allocation percentages were based on annual budget (predetermined). This is a repeated finding of fiscal year 2013. However, corrective action began to take place in May 2014 with some of the employees keeping track of the actual hours worked on the MRLRF projects.
Cause	The City uses its best estimate of percentage of its project and administrative employees' salaries to determine its project and administrative payroll charges to MRLRF. As a result of repeated payroll findings based on estimates, in April of 2014, MTA issued additional audit clarification for adequate salary and related cost documentation to all jurisdictions. Therefore, cities charging payroll based on estimates had already incurred expenditures for ten months of the FY.
Effect	Lack of supporting documentation (activity report, functional timesheets, and/or time study) to substantiate the charges for project expenditures could result in disallowed cost claimed to the MRLRF. We question payroll expenditures (which includes direct administrative salaries) reported for fiscal year 2014 amounting to \$5,838 which is based on expenditures tested for pay periods 9/23/2013, 12/5/2013, 2/27/2014, and 5/22/2014. However, no documentation was provided to support the allocations; therefore, we were unable to determine whether or not such expenditures were over or under the amount allocated to MRLRF.
Recommendation	We recommend that the City implement a timekeeping system to ensure salaries and related fringe benefits be supported by adequate documentation (i.e. activity report, timesheet, or time study).

**Los Angeles County Metropolitan Transportation Authority
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2014
 (Continued)**

Finding 2	City of Lawndale (Continued)
Management's Response	As stated, the City started tracking payroll and benefits directly to timesheets related to hours worked by staff. The process was started when Metro issued a letter in late spring requesting the change. As of July 1 st , payroll charges for all projects are based on hours worked not the percentage of adopted budget.

**Los Angeles County Metropolitan Transportation Authority
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2014
 (Continued)**

Finding 3	City of Monterey Park
Compliance Reference	<p>According to Measure R Local Return Guidelines, “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>In addition, LACMTA Local Return Program Manager issued the memo dated on April 29, 2014 to jurisdictions to provide recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines are “that an electronic system is acceptable as long as how much time is identified on the project (i.e., not just a clock-in-clock-out system) and <i>this non-timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.</i>” Also, “(4) <i>Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</i></p> <p align="center">(a) A Federal award and a non-Federal award.</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p>(a) They must reflect an after the fact distribution of the actual activity of each employee,</p> <p>(e) <i>Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:</i> (i) the governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.”</p>

Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2014
(Continued)

Finding 3	City of Monterey Park (Continued)
Condition	<p>Upon testing the payroll expenditures for maintenance workers charged to Measure R Local Return Funds (MRLRF), we noted that the payroll charges are supported by activity logs; however, the logs were not signed or certified by the employees and supervisors. We also noted that the salary expenditures of certain management positions (such as Assistant City Engineer and Civil engineering Associate) are allocated to the MRLRF. The allocation was determined through a time study during the budget process and the City was able to provide the time study to illustrate how the allocation was done. However, charges to the MRLRF were not supported by time reporting and certified by the employee and the supervisor. Therefore, we question payroll expenditures of \$12,379 based on our testing for pay periods 8/30/2013, 12/6/2013, 1/3/2014, 3/28/2014 and 6/6/2014.</p> <p>This is a repeated finding of FY 2013.</p>
Cause	<p>The City uses its best estimate of percentage of its project and administrative employees' salaries to determine its project and administrative payroll charges to Measure R Local Return Funds. As a result of repeated payroll findings based on estimates, in April of 2014, MTA issued additional audit clarification for adequate salary and related cost documentation to all jurisdictions. Therefore, cities charging payroll based on estimates had already incurred expenditures for ten months of the FY.</p>
Effect	<p>Lack of certification of the percentage allocation used to charge for project expenditures could result in disallowed cost claimed to the Measure R Local Return Funds.</p>
Recommendation	<p>We recommend that the City amend its policies to require quarterly comparisons of actual costs to budgeted distributions based on monthly activity reports, and to have employees sign and certify the time reports to support the percentage allocation used for charges to Measure R Local Return Funds.</p>

**Los Angeles County Metropolitan Transportation Authority
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2014
 (Continued)**

Finding 3	City of Monterey Park (Continued)
<p>Management's Response</p>	<p>The City's Street Supervisor reviewed the Maintenance Workers' daily work log and signed approval for their timecards; Assistant Engineer and Civil Associate Engineer involved with Measure R construction and street projects and their timecards were approved by the Director of Public Works; Finally, Principal Management Analyst is responsible all transit coordination with LACMTA and the City's bus system. The City does review and adjust the allocations based on the actual workload. For example, the Program Coordinator's salary allocation was revised from 30% to 0% after the tap card sales and dial-a-ride program both being switched to the Recreation Supervisor.</p> <p>The City will certainly take your recommendations to include the supervisor's signature on our work logs and on a quarterly basis to have the allocation certification sheet signed and certified by the Directors.</p>

Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2014
(Continued)

Finding 4	City of Rosemead
Compliance Reference	According to the Measure R Guidelines, "It is the Jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these guidelines.
Condition	<p>Upon testing the payroll expenditures charged to MRLRF, we found that the payroll charges were based on estimated percentage of actual salaries, determined by the City to be attributable to the funds. However, for some payroll charges, the percentages utilized cannot be supported by timesheets or similar time and effort documentations to demonstrate that the salaries charged were expended on administering approved MRLRF projects. However, based on the employees' job titles, it is reasonable to assume that such employees worked on the local return fund projects. There were two employees whose timesheets did not have detailed hours indicated to support the percentages utilized.</p> <p>Some of the payroll charges are supported by timesheets; however, actual timesheet documentations did not exactly equal the estimated percentages used to allocate the employees' salaries to the local return funds. Some pay periods are over the estimates and some are under the estimates. No true-up of the estimates is done at the end of the fiscal year. Therefore, we question payroll expenditures of \$2,869 based on our tested pay periods of 12/12/2012, 2/20/2014, and 5/24/2014.</p> <p>This is a repeated finding of FY 2013. However, the City has started to have its employees detail their hours spent on the LACMTA's Funds on their timesheets.</p>
Cause	The City uses its best estimate of percentage of its employee's salaries to determine its payroll charges to MRLRF. Actual timesheets filled out by employees may or may not equal the estimates used by the City's payroll system to automatically charge the local return funds. As a result of repeated payroll findings based on estimates, in April of 2014, MTA issued additional audit clarification for adequate salary and related cost documentation to all jurisdictions. Therefore, cities charging payroll based on estimates had already incurred expenditures for ten months of the FY.
Effect	Insufficient supporting documentation (activity report, timesheets, and/or time study) to substantiate the charges for "Direct Administrative" could result in disallowed costs claimed to the MRLRF.

Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2014
(Continued)

Finding 4	City of Rosemead (Continued)
Recommendation	<p>We recommend that the City implement a timekeeping system that tracks the hours spent on the local return fund to ensure salaries and related fringe benefits are supported by adequate documentation (i.e. activity reports, timesheets, or time study).</p>
Management's Response	<p>The City implemented a timekeeping system in 12/13 through our Tyler software that tracks the hours spent on the local return funds. The City will install a function in this system which will enable each employee to have the ability to click on Measure R when they input their time. This should be easier and more efficient for each employee to adequately track their time.</p> <p>In addition, the City will meet with staff in each department to reinforce the procedures for tracking time on these programs.</p> <p>Every effort is being made by the City to ensure that salaries and related fringe benefits are supported by actual documentation. The City budgets for these expenditures on a percentage basis and there are times that the actual times charged will be slightly more or less than the percentage allocated.</p>

Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2014
(Continued)

Finding 5	City of South El Monte
Compliance Reference	According to Measure R Guidelines, Section B (VII. Audit Section), "Jurisdictions are required to expend their Measure R Local Return funds for transportation purposes, as defined by the Guidelines" and "It is the Jurisdictions' responsibility to maintain proper accounting records and documentation."
Condition	In order to ensure the propriety of expenditures being charged to the Local Return funds, expenditures should be supported by properly executed contracts, invoices, vouchers, or other official documentation evidencing in proper detail, the nature of the charges. However, payments to Mike Roos and Company (Consultant) for services rendered for the Month of June 2014 were based on an expired contract agreement and were charged to the LACMTA's approved SR-60 Coalition Work project for a total amount of \$10,000 to the Measure R Local Return Fund. This is a repeated finding of FY 2011.
Cause	The contract was not extended beyond May 28, 2014 was due to an oversight.
Effect	The payments based on an expired contract for June 2014 services resulted in questioned costs of \$10,000.
Recommendation	In accordance with the Guidelines, we recommend that the City reimburse its Measure R Local Return Account \$10,000. In addition, we recommend that the City revise its internal controls to ensure that payments are not made based upon expired contracts. In addition, we recommend that the City work with LACMTA's Program Manager to address the timing difference.
Management's Response	Mike Roos and Company Professional Services Agreement is being placed on the December 9, 2014 City Council agenda to extend his contract to May 28, 2015. This extension will be retroactive to May 29, 2014 and thus, will cover the period of June 2014.

Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2014
(Continued)

Finding 6	City of Bell
Compliance Reference	According to Measure R Local Return Guidelines, Section B (VII.A, Financial and Compliance Provisions), “The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines: Verification that funds were expended with Metro’s approval.”
Condition	<p>The expenditures for MRLRF’s Administration project in the amount of \$4,173 were incurred prior to the approval from LACMTA for fiscal year 2013-14. The City subsequently received LACMTA’s approval on the MRLRF project on September 16, 2014. No questioned costs were noted as the project was subsequently approved by LACMTA for FY 2014.</p> <p>The project was previously approved in FY 2013; however, the City did not include the project in the FY 2014 Form One.</p>
Cause	The City's contracted Engineering Division was not aware that fund administration was a required component of the Measure R pre-project approval process. Filing was completed and approval granted subsequent to deadline, on September 16, 2014.
Effect	The City did not comply with the Guidelines when expenditures for MRLRF projects are incurred without LACMTA’s approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from LACMTA prior to implementing any Measure R Local Return projects.
Management’s Response	The Engineering Division is creating procedures in accordance with published MTA guidelines to adhere to the proper processing of all required forms conditioning project approvals and reporting.

Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2014
(Continued)

Finding 7	City of Lawndale
Compliance Reference	According to the Measure R Guidelines, “To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually by August 1 st of each year. Form One provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year.”
Condition	<p>We noted that the City expended Measure R Local Return Funds of \$54,807 prior to MTA’s project approval for FY 2014. The City did not include Project Code 1.05, 160th Street (Hawthorne Boulevard to Freeman) project on their FY 2014 Form One (Budget). However, these expenditures were eligible under Measure R Local Return Guidelines. During our audit, the City submitted a revised Form One to LACMTA, and LACMTA subsequently approved the project on November 7, 2014. No questioned costs were noted as the project was subsequently approved by LACMTA.</p> <p>The project was previously approved in FY 2013. However, the City did not include the project in the FY 2014 Form One.</p> <p>This is a repeated finding of fiscal year 2012.</p>
Cause	The City expended Measure R Local Return funds for the project that was not budgeted when the City’s Form One was prepared. Therefore, the project was not included in the City’s Form One and was not approved by LACMTA prior to expending the funds.
Effect	The City expended Measure R Local Return Funds prior to LACMTA’s approval and was not in compliance with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City implement policies and procedures to ensure that the City’s Form One is properly prepared and reviewed.
Management’s Response	The City will establish a review process to ensure that Form One is prepared correctly.

Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2014
(Continued)

Finding 8	County of Los Angeles
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.1), "LACMTA will provide Local Return funds to a capital project or program sponsor who submits the required expenditure plan containing the following: (1) The estimated total cost for each project and/or program activity."
Condition	<p>The expenditures of \$99,587 for Firestone Blvd.- Central Ave to Graham, Et Al. and \$47,669 for Hawthorne Blvd. and Atlantic Avenue Street Improvements were incurred without LACMTA's project approval for FY 2014. The projects were subsequently approved for FY 2014 by LACMTA on December 17, 2014. No questioned costs were noted as the projects were subsequently approved by LACMTA.</p> <p>The projects were previously approved in FY 2013; however, the County did not include the projects in the FY 2014 Form One.</p>
Cause	The County believed that projects previously approved by LACMTA were not required to be included in the subsequent years' Form One (Expenditure Plan). The projects were previously approved in FY 2013; therefore, the County did not include these projects in Form One for FY 2014.
Effect	The Expenditures for Measure R Local Return programs were incurred without LACMTA's project approval for FY 2014, and the County was not in compliance with the Measure R Local Return Guidelines.
Recommendation	We recommend that the County establish procedures to ensure that the Form One (Expenditure Plan) is properly prepared and submitted before the due date of August 1 st . In accordance with the Guidelines, the County should include all new, amended, ongoing, and carryover projects in the Form One.
Management's Response	In FY 2014, the County of Los Angeles believed that Form One (budget) was not to include any projects that had been previously approved in prior years. However, there is no longer any misunderstanding and we will properly prepare Form One in the future.

Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2014
(Continued)

Finding 9	City of Lynwood
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.1), "LACMTA will provide Local Return funds to a capital project or program sponsor who submits the required expenditure plan containing the following: (1) The estimated total cost for each project and/or program activity."
Condition	<p>The expenditures for the Measure R project code 1.90, Bond Debt Service Payment project, of \$100,927 and \$392,906 for FY 2013 and FY 2014, respectively, were incurred prior to LACMTA's project approval for FY 2013 and FY 2014. The City recorded FY 2013 expenditures of \$100,927 after the FY 2013 audit report was issued. However, the project was subsequently approved by LACMTA on December 18, 2014. No question costs were noted as the project was subsequently approved by LACMTA.</p> <p>The City made an official request to bond their Measure R funds for their total road improvement program. This was previously approved by the MTA Board in FY 2012; however, the City did not include the project in the FY 2014 Form One.</p>
Cause	This was due to an oversight by City personnel.
Effect	The City expended Measure R Local Return Funds prior to LACMTA's project approval for FY 2013 and FY 2014 and was not in compliance with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Form One (Expenditure Plan) is properly prepared and submitted before the due date of August 1st so that the City's expenditures of Measure R Local Return Funds will be in accordance with LACMTA's approval and the Guidelines.
Management's Response	This was an oversight. The City participated in the COP Series 2012 (TRIP-Total Road Improvement Program) which was approved by City Council in 2012. As noted in the Official Statement, installment payments are payable from Measure R receipts. Staff did not include the Debt Service Installments when the FY 2014 Measure R Budget was submitted to MTA in July 2013. Recently, staff submitted a revised FY 2014 Budget to MTA to comply with the Measure R Guidelines.

Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2014
(Continued)

Finding 10	City of Montebello
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.1), "LACMTA will provide Local Return funds to a capital project or program sponsor who submits the required expenditure plan containing the following: (1) The estimated total cost for each project and/or program activity."
Condition	<p>The expenditures of \$31,432 for Project Code 1.05, Cleveland Avenue Emergency Street Repairs and \$27,501 for Project Code 1.05, Las Flores Emergency Street Repairs were incurred prior to LACMTA's project approval for FY 2014. However, the projects were subsequently approved by LACMTA on November 4, 2014. No questioned costs were noted as the projects were subsequently approved by LACMTA.</p> <p>This is the first year for these projects.</p>
Cause	The City expended Measure R Local Return funds for the projects that were not budgeted when the City's Form One was prepared. Therefore, the projects were not included in the City's Form One and were not approved by LACMTA prior to expending the funds.
Effect	The City expended Measure R Local Return Funds prior to LACMTA's approval and was not in compliance with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City implement policies and procedures to ensure that the City obtains LACMTA's project approval prior to expending the Measure R Local Return Funds.
Management's Response	The City will establish a review process to ensure that the City obtains MTA's project approval prior to incurring Measure R Local Return expenditures.

Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2014
(Continued)

Finding 11	City of South El Monte
Compliance Reference	<p>According to Measure R Local Return Guidelines, Section B (VII.A, Financial and Compliance Provisions), “The Measure R LR audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines:</p> <p>Verification that funds were expended with Metro’s approval.”</p>
Condition	<p>The expenditures for the Measure R Administration in the amount of \$3,147 were incurred prior to the approval from LACMTA. However, the project was subsequently approved by LACMTA on November 7, 2014. No questioned costs were noted as the projects were subsequently approved by LACMTA.</p> <p>The project was previously approved in FY 2011. However, the City did not include the project in the FY 2014 Form One.</p>
Cause	<p>The City was under-staffed and the Grants Coordinator who managed the programs was out on medical leave. During her absence, the City inadvertently did not include the Admin project on the Form I submitted to MTA.</p>
Effect	<p>The City did not comply with the Guidelines when expenditures for MRLRF project are incurred without LACMTA’s approval.</p>
Recommendation	<p>We recommend that the City establish procedures to ensure that it obtains and confirms approval from LACMTA prior to implementing any Measure R Local Return projects.</p>
Management’s Response	<p>The City will continue to monitor its programs to ensure that the expenditures for projects/programs have been approved by the LACMTA prior to incurring cost.</p>

Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2014
(Continued)

Finding 12	City of Baldwin Park
Compliance Reference	According to Measure R Guidelines, Section B (II.1), "Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, on or before August 1st of each fiscal year."
Condition	The City did not meet the August 1, 2013 deadline for submission of Form One. However, the City submitted the Form One on October 15, 2013. This is a repeated finding of FY 2011.
Cause	There was a change in City staff during the submittal period.
Effect	The City's Form One was not submitted timely.
Recommendation	We recommend that the City establish procedures to ensure that the Form One (Expenditure Plan) is properly prepared and submitted before the due date of August 1 st so that the City's expenditures of the Measure R Local Return Funds will be in accordance with LACMTA's approval and the Guidelines. Furthermore, we recommend the City retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner.
Management's Response	The Public Works Department has set calendar reminders in MS outlook on multiple workstations to ensure that future submittals are made on time.

Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2014
(Continued)

Finding 13	City of Bell
Compliance Reference	According to Measure R Guidelines, Section B (II.1), Expenditure Plan (Form One): "Jurisdictions shall submit to LACMTA an Expenditure Plan, annually, on or before August 1st of each fiscal year."
Condition	The City did not meet the August 1, 2013 deadline for submission of Form One. However, the City submitted the Form One on August 9, 2013. This is a repeated finding of FY 2013.
Cause	The City's Engineering Division did not work on this form early enough and as a result the submittal was eight days late.
Effect	The City's Form One was not submitted timely.
Recommendation	We recommend that the City establish procedures to ensure that the Form One (Expenditure Plan) is properly prepared and submitted before the due date of August 1st so that the City's expenditures of the Measure R Local Return Funds will be in accordance with LACMTA's approval and the guidelines. Furthermore, we recommend that the City retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner.
Management's Response	The Engineering Division is creating procedures in accordance with published MTA guidelines to adhere to the proper processing of all required forms conditioning project approvals and reporting. In addition, the Engineering Division will work on Form One when preparing the City budget. City budget is adopted before June 30 th of each year, therefore, this procedural change will give staff enough time to submit the form one to MTA prior to August 1st.

Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2014
(Continued)

Finding 14	City of La Puente
Compliance Reference	According to Measure R Guidelines, Section B (II.1), "Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, on or before August 1st of each fiscal year."
Condition	The City did not meet the August 1, 2013 deadline for submission of Form One. However, the City submitted the Form One on July 7, 2014.
Cause	There was a change of personnel in Finance Department. The previous Finance Manager left in late 2012 and there was an Interim Finance Manager hired and was replaced by permanent Finance Manager in 2013.
Effect	The City's Form One was not submitted timely.
Recommendation	We recommend that the City establish procedures to ensure that the Form One (Expenditure Plan) is properly prepared and submitted before the due date of August 1 st so that the City's expenditures of the Measure R Local Return Funds will be in accordance with LACMTA's approval and the guidelines. Furthermore, we recommend the City retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner.
Management's Response	The City will ensure that the deadlines will be strictly followed going forward.

**Los Angeles County Metropolitan Transportation Authority
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2014
 (Continued)**

Finding 15	City of Maywood
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.1), "Jurisdictions shall submit to LACMTA and Expenditure Plan (Form One), annually by August 1 st of each year."
Condition	The City did not submit the FY 2014 Expenditure Plan (Form One) by the due date of August 1, 2013. The City submitted the Form One to LACMTA on April 24, 2014. This finding is repeated from FY 2012 and FY 2013.
Cause	The City has new Accounting staff and was not aware of the due date for Measure R (Form One) Report.
Effect	The City did not submit the Expenditure Plan (Form One) timely.
Recommendation	We recommend the City establish procedures to ensure that Form One is properly prepared and submitted before the due date of August 1 st so that the City's expenditures of the Measure R Local Return Funds will be in accordance with LACMTA's approval and the Guidelines.
Management's Response	The City concurs and will adhere to the established procedures to ensure that the Expenditure Plan (Form One) is submitted on or before due date of August 1 st .

Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2014
(Continued)

Finding 16	City of South Gate
Compliance Reference	According to Measure R Guidelines, Section B (II.1), Expenditure Plan (Form One): “Jurisdictions shall submit to LACMTA an Expenditure Plan, annually, on or before August 1st of each fiscal year.”
Condition	The City did not meet the August 1, 2013 deadline for submission of Form One. However, the City submitted the Form One on August 21, 2013.
Cause	Due to staff turnover in the City’s Public Works Department, the form was prepared and submitted late.
Effect	The City’s Form One was not submitted timely.
Recommendation	We recommend that the City establish procedures to ensure that the Form One (Expenditure Plan) is properly prepared and submitted before the due date of August 1st so that the City’s expenditures of the Measure R Local Return Funds will be in accordance with LACMTA’s approval and the guidelines. Furthermore, we recommend the City to retain a confirmation of receipt by LACMTA to indicate the form was submitted on a timely manner.
Management’s Response	The City hired a new Management Analyst to assist with these duties. The City will continue to closely monitor report deadlines for future submission.

Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2014
(Continued)

Finding 17	City of Bell
Compliance Reference	According to Measure R Guidelines, Section B (II.2), "Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2013 deadline for submission of Form Two. However, the City submitted the Form Two to LACMTA on October 31, 2013.
Cause	The City's Engineering Division did not work on this form early enough and as a result the submittal was sixteen days late.
Effect	The City's Form Two was not submitted timely.
Recommendation	We recommend that the City establish procedures to ensure that the Form Two (Expenditure Report) is properly prepared and submitted before the due date of October 15th so that the City's expenditures of the Measure R Local Return Funds will be in accordance with LACMTA's approval and the Guidelines. Furthermore, we recommend that the City retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner.
Management's Response	The Engineering Division is creating procedures in accordance with published MTA guidelines to adhere to the proper processing of all required forms conditioning project approvals and reporting. Staff will begin to work on Form Two in late September to submit it to MTA prior to October 15 th .

Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2014
(Continued)

Finding 18	City of Calabasas
Compliance Reference	According to Measure R Guidelines, Section B (II.2), "Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2013 deadline for submission of Form Two. The City submitted the Form Two to LACMTA on October 16, 2013.
Cause	The City employee responsible for the submission of the form missed the deadline set by MTA.
Effect	The City's Form Two was not submitted timely.
Recommendation	We recommend that the City establish procedures to ensure that Two (Expenditure Report) is properly prepared and submitted prior to the October 15th deadline and that the City retain a confirmation of receipt by LACMTA to comply with the Guidelines.
Management's Response	The supervising staff will ensure that document submittals are done in a timely manner in order to avoid future findings during the audit.

Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2014
(Continued)

Finding 19	City of Compton
Compliance Reference	According to Measure R Guidelines, Section B (II.2), "Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2013 deadline for submission of Form Two. However, the City submitted the Form Two to LACMTA on December 17, 2013. This is a repeated finding of FY 2012 and FY 2013.
Cause	Due to staff reductions, turnovers, and re-assignment of staff in the Controller's Office, the reporting deadline submittal of Form II was missed.
Effect	The City's Form Two was not submitted timely.
Recommendation	We recommend that the City establish procedures to ensure that the Form Two (Expenditure Report) is properly prepared and submitted before the due date of October 15th so that the City's expenditures of the Measure R Local Return Funds will be in accordance with LACMTA's approval and the Guidelines. Furthermore, we recommend that the City retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner.
Management's Response	The Controller's Office plans to develop a shared citywide calendar and checklist of reporting due dates that will be available to the Program and Project Managers, and to City management, as well, so that reporting due dates are monitored closely.

Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2014
(Continued)

Finding 20	City of Lynwood
Compliance Reference	According to Measure R Local Return Guidelines Section II.2, “The submittal of an Expenditure Report (Form Two) is also required to maintain legal eligibility and meet Measure R LR program compliance requirements. Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15 th (following the conclusion of the fiscal year). The Expenditure Report serves to notify LACMTA of previous year LR fund receipts and expenditures.”
Condition	The City did not meet the October 15, 2013 deadline for submission of Form Two. However, the City submitted the Form Two on November 7, 2013.
Cause	This was due to an oversight by City personnel.
Effect	The City’s Form Two was not submitted timely.
Recommendation	We recommend that the City establish procedures to ensure that the Form Two (Expenditure Report) is properly prepared and submitted before the due date of October 15 th so that the City’s expenditures of the Measure R Local Return Funds will be in accordance with LACMTA’s approval and the Guidelines.
Management’s Response	Staff will establish procedures to ensure timely submittal of Measure R Form Two.

Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2014
(Continued)

Finding 21	City of Lawndale
Compliance Reference	<p>According to Measure R Local Return Guidelines, Section A (II.8), "Direct administration 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." Also, according to Measure R Local Return Guidelines, Section B (II.1) Expenditure Plan (Form One), "LACMTA will provide Local Return funds to a capital project or program sponsor who submits the required expenditure plan containing the following: (1) The estimated total cost for each project and/or program activity." Section B (II.2) Expenditure Report (Form Two). "Jurisdictions are required to specify administration charges to Direct Administration in order to verify compliance of the 20% cap on administration costs".</p>
Condition	<p>During our review of the payroll expenditures charged to Measure R for fiscal year 2013-14, we noted that the administrative position was included in the various project codes rather than the Direct Administrative project code 8.10 for Measure R. Questioned cost is not applicable for Measure R because the administrative cost (Project Code 8.10) was approved on the City's Form One and if the City included this cost in Project Code 8.10, the City's administrative cost would still be within the 20% limitation.</p> <p>This is a repeated finding of FY 2013.</p>
Cause	The City believes that the activities performed by this position should be charged to the project costs.
Effect	Incorrectly reporting the project and administrative expenditures could result in over-or-under reported approved project costs.
Recommendation	We recommend that the City establish procedures so Form One is properly prepared with the correct project codes for administrative projects to ensure that the City's administrative expense for Measure R Local Return Funds will be in compliance with LACMTA's approval guidelines.
Management's Response	The City will establish a review process to ensure that Form I is prepared correctly.

**Los Angeles County Metropolitan Transportation Authority
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2014
 (Continued)**

Finding 22	City of San Fernando
Compliance Reference	<p>According to Measure R Local Return Guidelines, Section B, II, “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>In addition, LACMTA Local Return Program Manager issued the memo dated on April 29, 2014 to jurisdictions to provide recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines are “that an electronic system is acceptable as long as how much time is identified on the project (i.e., not just a clock-in-clock-out system) and <i>this non-timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.</i>” Also, “(4) <i>Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</i></p> <p align="center">(b) A Federal award and a non-Federal award.</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p align="center">(b) They must reflect an after the fact distribution of the actual activity of each employee,</p> <p align="center">(f) <i>Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:</i> (i) the governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.”</p>

Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2014
(Continued)

Finding 22	City of San Fernando (Continued)
Compliance Reference (Continued)	According to Measure R Local Return Guidelines, Section A (II.8) stated that, "The administrative expenditures for any year shall not exceed twenty percent (20%) of the total LR annual expenditures."
Condition	To support the propriety of expenditures being charged to the Measure R Local Return Funds, payroll expenditures should be supported by properly executed payrolls, time records, activity reports, vouchers, or other official documentation evidencing in proper detail the nature of the charges. However, salaries and fringe benefits of \$7,634 for Project Code 8.10, Fund Administration were based on estimates instead of employees' actual working hours spent for the Measure R project. The City provided us the labor distribution schedule: however, it did not adequately support the hours or payroll expenditures charged to the project. In addition, the City's administrative expenditures exceeded the twenty percent cap of its total Measure R Local Return annual expenditures by \$4,834.
Cause	The City was not aware that its practice of allocating salaries and fringe benefits to a project was not adequate to support labor costs claimed. As a result of repeated payroll findings based on estimates, in April of 2014, MTA issued additional audit clarification for adequate salary and related cost documentation to all jurisdictions. Therefore, cities charging payroll based on estimates had already incurred expenditures for ten months of the FY.
Effect	The salaries and fringe benefits claimed of \$7,634 under the Measure R Local Return project may include expenditures which may not be an allowable Measure R project expenditure.
Recommendation	In accordance with the Guidelines, we recommend that the City reimburse its Proposition C Local Return account \$7,634. In addition, we recommend that the City revise its current labor costs reporting procedures to ensure that labor costs charged to Local Return funds are adequately supported by time sheets or similar documentation which includes employees' actual working hours and the City establish procedures to ensure that administrative expenditures reported to MRLRF are within the 20% cap of total MRLRF expenditures.

**Los Angeles County Metropolitan Transportation Authority
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2014
 (Continued)**

Finding 22	City of San Fernando (Continued)
<p>Management's Response</p>	<p>The City of San Fernando supports the salary expenditures charged to the Measure R Local Return funds by documenting the amount of time spent on Measure R related activities on each affected employee's timesheet in each pay period. Using the totality of time spent by each employee on eligible activities in a given year, the City develops a labor distribution charge and applies labor distribution charge evenly to each pay period. For example, an employee that spends 40 hours per year on eligible activities would have a labor distribution of 2%. Therefore, 2% of their salary would be charged to the appropriate fund each pay period. Although the actual labor distribution documented on the employee's time sheet may vary from the 2% charge in any given pay period, the annual labor distribution percentage is supported and documented through individual employee timesheets.</p> <p>The City of San Fernando is a relatively small organization with one Senior Account Clerk to process payroll. It would create an unreasonable administrative burden to have the Senior Account Clerk calculate and adjust the labor distribution for all employees' that spent time on Measure R related activities every pay period. Historically, allocating costs in the manner described above has been accepted as a reasonable process as long as it is supported by documentation of actual time spent, which is the case in San Fernando.</p>
<p>Auditor's Rejoinder</p>	<p>As noted on the memo dated on April 29, 2014 issued by LACMTA Local Return Program Manager, expenditures claimed based solely on budgeted amounts is not considered adequate documentation because it does not reflect actual expenditures incurred on the LACMTA project. The record of hours worked should: 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. The documentation provided on the timesheets did not tie to the payroll records for the pay periods tested. Using the totality of time spent by each employee on eligible activities in a given year and then applying the percentage evenly each pay period is not in accordance with the clarified guidelines. Also, the City did not perform a comparison of the actual hours to budgeted/charged amounts at the end of the 4th quarter or for the year and adjust the charges to reflect the after the fact hours spent on the program.</p>



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**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, 2014

An Independently Owned Member
McGLADREY ALLIANCE



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

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

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

Report on Compliance

We have audited the compliance of the Forty-nine (49) Cities identified in Schedule 1, with the types of compliance requirements described in the Measure R Ordinance enacted through a Los Angeles County (the County) voter-approved law in November 2008; Measure R Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (LACMTA), approved by its Board of Directors on October 22, 2009 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure R Local Return Funds, executed by LACMTA and the respective Cities for the year ended June 30, 2014 (collectively, the Requirements). Compliance with the above noted Guidelines and Requirements by the Cities are identified in the accompanying Summary of Compliance Findings, Schedule 1 and Schedule 2.

Management's Responsibility

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

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

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



Opinion

In our opinion, the Cities complied, in all material respects, with the Guidelines and Requirements referred to above that could have a direct and material effect on the Measure R Local Return program for the year ended June 30, 2014.

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 2014-01 through 2014-10. 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 and was not designed to identify all deficiencies in internal control over compliance that we consider to 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 deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance under the Guidelines and Requirements on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance under the Guidelines and Requirements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Findings 2014-02, 2014-04, 2014-05, 2014-06 and 2014-09 to be material weaknesses.



A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines and Requirements that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings 2014-01, 2014-03 and 2014-10 to be significant deficiencies.

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

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

A handwritten signature in black ink that reads "Vaqueria & Company LLP". The signature is written in a cursive, flowing style.

Los Angeles, California
December 15, 2014

**Los Angeles County Metropolitan Transit Authority
Summary of Compliance Findings
Fiscal Year Ended June 30, 2014**

The audits of the 49 cities identified in Schedule 1 have resulted in 10 findings. The table below shows a summary of the findings:

Finding	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs	Resolved During the Audit
No adequate evidence that funds were expended for transportation purposes (salary charges were not supported by timesheets or similar time and effort documentation)	1	Arcadia (2014-02)	\$ 46,233	\$ -
Funds were expended without LACMTA's approval	7	Alhambra (2014-01) Glendora (2014-03) Hermosa Beach (2014-04) Lancaster (2014-05) Lomita (2014-06) Norwalk (2014-07) Temple City (2014-09)	25,200 58,479 10,347 56,758 290,444 35,999 799,456	25,200 58,479 10,347 56,758 290,444 35,999 799,456
Expenditure Plan (Form One) was not submitted timely	1	Temple City (2014-10)	-	-
Expenditure Report (Form Two) was not submitted timely	1	Signal Hill (2014-08)	-	-
Total Findings and Questioned Costs	10		\$ 1,322,916	\$ 1,276,683

Details of the findings are in Schedule 2.

Los Angeles County Metropolitan Transit Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2014

Compliance Area Tested	Alhambra	Arcadia	Artesia
Funds were expended for transportation purposes.	Compliant	Finding 2014-02	Not applicable
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant	Compliant	Not applicable
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Finding 2014-01	Compliant	Not applicable
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Not applicable
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Not applicable
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Not applicable
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

Los Angeles County Metropolitan Transit Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2014
(Continued)

Compliance Area Tested	Avalon	Bellflower	Bradbury
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

Los Angeles County Metropolitan Transit Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2014
(Continued)

Compliance Area Tested	Burbank	Cerritos	Claremont
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

Los Angeles County Metropolitan Transit Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2014
(Continued)

Compliance Area Tested	Covina	Diamond Bar	Downey
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Compliant

Los Angeles County Metropolitan Transit Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2014
(Continued)

Compliance Area Tested	Duarte	El Segundo	Glendale
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

Los Angeles County Metropolitan Transit Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2014
(Continued)

Compliance Area Tested	Glendora	Hawaiian Gardens	Hermosa Beach
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Finding 2014-03	Compliant	Finding 2014-04
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Not applicable	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

Los Angeles County Metropolitan Transit Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2014
(Continued)

Compliance Area Tested	La Canada- Flintridge	La Habra Heights	La Mirada
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.	Not applicable	Compliant	Not applicable
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Not applicable	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Not applicable	Compliant	Not applicable
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Not applicable	Compliant	Not applicable
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Not applicable	Compliant	Not applicable
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

Los Angeles County Metropolitan Transit Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2014
(Continued)

Compliance Area Tested	La Verne	Lakewood	Lancaster
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.	Not applicable	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Not applicable	Compliant	Finding 2014-05
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Not applicable	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Not applicable
Timely submission of Expenditure Report (Form Two)	Not applicable	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Not applicable	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

Los Angeles County Metropolitan Transit Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2014
(Continued)

Compliance Area Tested	Lomita	Long Beach	Los Angeles
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Finding 2014-06	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

Los Angeles County Metropolitan Transit Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2014
(Continued)

Compliance Area Tested	Manhattan Beach	Monrovia	Norwalk
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Compliant	Finding 2014-07
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

Los Angeles County Metropolitan Transit Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2014
(Continued)

Compliance Area Tested	Palos Verdes		
	Palmdale	Estates	Paramount
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

Los Angeles County Metropolitan Transit Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2014
(Continued)

Compliance Area Tested	Pasadena	Rancho Palos Verdes	Redondo Beach
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.	Compliant	Not applicable	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Not applicable	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Not applicable	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Not applicable	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant	Not applicable	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

Los Angeles County Metropolitan Transit Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2014
(Continued)

Compliance Area Tested	Rolling Hills		
	Rolling Hills	Estates	San Dimas
Funds were expended for transportation purposes.	Not applicable	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Not applicable	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Not applicable	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Not applicable	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Not applicable	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Not applicable	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Compliant	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Compliant	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

Los Angeles County Metropolitan Transit Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2014
(Continued)

Compliance Area Tested	San Gabriel	San Marino	Santa Clarita
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.	Compliant	Compliant	Not applicable
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Compliant	Not applicable
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Not applicable
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Not applicable
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Not applicable
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

Los Angeles County Metropolitan Transit Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2014
(Continued)

Compliance Area Tested	Sierra Madre	Signal Hill	South Pasadena
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Not applicable	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Finding 2014-08	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

Los Angeles County Metropolitan Transit Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2014
(Continued)

Compliance Area Tested	Temple City	Torrance	West Covina
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Finding 2014-09	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Finding 2014-10	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

**Los Angeles County Metropolitan Transit Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2014
(Continued)**

Compliance Area Tested	Whittier
Funds were expended for transportation purposes.	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant
Timely submission of Expenditure Plan (Form One)	Not applicable
Timely submission of Expenditure Report (Form Two)	Compliant
Timely use of funds	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable

Los Angeles County Metropolitan Transit Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2014
(Continued)

Finding 2014-01	City of Alhambra
Compliance Reference	<p>Section B(II)(1) of the Measure R Local Return Program Guidelines states that "...LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan containing the following: 1. The estimated total cost for each project and/or program activity"</p> <p>To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year.</p>
Condition	<p>The City claimed expenditures for the following new projects in FY 2014 with no prior approval from LACMTA:</p> <ul style="list-style-type: none"> a. Design Engineering of Traffic Signal, Garfield Ave and Burke Project totaling \$8,700 b. Design Engineering Safe Routes to School Crosswalk Library and Alhambra High School Project totaling \$16,500 <p>Although we found the expenditures to be eligible for Measure R funding, the said project had no prior approval from LACMTA.</p> <p>LACMTA Program Manager granted a retroactive approval of the said projects on November 13, 2014.</p>
Cause	<p>The City was not aware that a new Form One needs to be submitted for each new project prior to implementation.</p>
Effect	<p>The City claimed expenditures totaling \$25,200 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>
Recommendation	<p>We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to implementing any Measure R-funded projects.</p>
Management Response	<p>Although Staff had verbally spoken to MTA about the projects being eligible, Staff neglected to submit the Form One. Staff has undergone further training regarding the Measure R regulations.</p>
Finding Corrected During the Audit	<p>LACMTA Program Manager granted a retroactive approval of the said projects on November 13, 2014. No additional follow up is required.</p>

Los Angeles County Metropolitan Transit Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2014
(Continued)

Finding 2014-02	Arcadia
Compliance Reference	Section VI of the Measure R Guideline provides that Jurisdictions are required to expend their Measure R Local Return funds for transportation purposes as defined by the Guidelines. LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan [Section B(II)(1)].
Condition	The salaries and benefits totaling \$46,233 for Project 8.10, Overall Administration of Measure R Local Return Programs, Projects and Daily Planning Activities, were based on percentages determined by the City departments to be attributable to the LACMTA project. However, the amount charged cannot be supported by timesheets or similar time and effort documentation to demonstrate that the salaries charged were expended on approved Local Return projects.
Cause	<p>The City was not aware that its current practice of allocating labor costs to projects was not adequate to support salaries claimed.</p> <p>The City received LACMTA's clarification letter in April 2014 and have acted on putting a time reporting system at the beginning of the fiscal year 2015 that will document the actual time spent by its employees on Measure R projects.</p>
Effect	The \$46,233 of salaries and benefits claimed under Measure R may include unallowable expenditures.
Recommendation	<p>In accordance with the Guidelines, we recommend that the City reimburse its Measure R Local Return Fund the amount of \$46,233.</p> <p>We also recommend that the City revise its current labor reporting procedures to ensure that labor costs charged to LACMTA projects are adequately supported by timesheets or similar documentation.</p>
Management Response	The City has already put in place a time reporting system that documents actual time spent on Measure R Local Return projects. The new timesheet was implemented starting this fiscal year.

Los Angeles County Metropolitan Transit Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2014
(Continued)

Finding 2014-03	City of Glendora
Compliance Reference	<p>Section B(II)(1) of the Measure R Local Return Program Guidelines states that "...LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan containing the following: 1. The estimated total cost for each project and/or program activity"</p> <p>To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year.</p>
Condition	<p>The City claimed expenditures for the following projects with no prior approval from LACMTA:</p> <ul style="list-style-type: none"> a. Project Code 2.29, Traffic Signal Improvements totaling \$52,408 b. Project Code 9.00, Winter Flood Costs totaling \$2,095 c. Project Code 8.10, Fund Administration expenses totaling \$3,976 <p>Although Project Code 2.29 was previously approved in FY 2013, the City was still required to submit Form One for FY 2014, carry over the budget, and have it approved prior to spending the money.</p> <p>Both Project Codes 8.10 and 9.00 are new projects for FY 2014. Although we found the expenditures to be eligible for Measure R funding, the said projects had no prior approval from LACMTA.</p> <p>LACMTA Program Manager granted a retroactive approval of the said projects on December 17, 2014.</p>
Cause	<p>The City lacks adequate procedures to ensure that a Form One is submitted to obtain approval prior to implementation of a Measure R-funded project.</p>
Effect	<p>The City claimed expenditures totaling \$58,479 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>
Recommendation	<p>We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to implementing any Measure R-funded projects.</p>

Los Angeles County Metropolitan Transit Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2014
(Continued)

Finding 2014-03 (Continued)	City of Glendora
Management Response	The City will modify existing procedures and controls to ensure that approval is obtained from LACMTA prior to implementing of any Measure R funded projects.
Finding Corrected During the Audit	LACMTA Program Manager granted a retroactive approval of the said projects on December 17, 2014. No additional follow up is required.

Los Angeles County Metropolitan Transit Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2014
(Continued)

Finding 2014-04	City of Hermosa Beach
Compliance Reference	<p>Section B(II)(1) of the Measure R Local Return Program Guidelines states that "...LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan containing the following: 1. The estimated total cost for each project and/or program activity"</p> <p>To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year.</p>
Condition	<p>The City claimed expenditures for the following projects with no prior approval from LACMTA:</p> <ul style="list-style-type: none"> a. Protective Bollards at Pier Plaza totaling \$8,277 b. Hermosa View School ST2S Project totaling \$2,070 <p>Although, these projects were previously approved in FY 2012 and FY 2013, the City was still required to submit Form One for FY 2014, carry over the budget, and have it approved prior to spending the money.</p> <p>LACMTA Program Manager granted retroactive approval of the said projects on September 17, 2014.</p> <p>This is a repeat finding of FY 2013.</p>
Cause	<p>These projects were previously approved in FY 2013. However, the City was not aware that these projects should be carried over onto Form One submitted for FY 2014.</p>
Effect	<p>The City claimed expenditures totaling \$10,347 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>
Recommendation	<p>We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to implementing any Measure R-funded projects.</p>

Los Angeles County Metropolitan Transit Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2014
(Continued)

Finding 2014-04 (Continued)	City of Hermosa Beach
Management Response	City Staff shall ensure project approval has been granted by LACMTA prior to commencing any Measure R related projects. This finding was a residual issue from the prior year, which has now been resolved.
Finding Corrected During the Audit	LACMTA Program Manager granted retroactive approval of the said projects on September 17, 2014. No additional follow up is required.

Los Angeles County Metropolitan Transit Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2014
(Continued)

Finding 2014-05	City of Lancaster
Compliance Reference	<p>Section B(II)(1) of the Measure R Local Return Program Guidelines states that "...LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan containing the following: 1. The estimated total cost for each project and/or program activity"</p> <p>To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year.</p>
Condition	<p>The City claimed the purchase of equipment as expenditure under the new project in FY 2014 called "Street Resurfacing Equipment for Pavement Management Program" amounting to \$56,758 with no prior approval from LACMTA. The purchase was made on June 19, 2014 while approval was obtained on July 8, 2014.</p> <p>Although we found the expenditure to be eligible for Measure R funding, the said project had no prior approval from LACMTA.</p> <p>This is a repeat finding of FY 2013.</p>
Cause	<p>The City lacks adequate procedures to ensure that a Form One is submitted to obtain approval prior to implementation of a Measure R-funded project.</p>
Effect	<p>The City claimed expenditures totaling \$56,758 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>
Recommendation	<p>We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to implementing any Measure R-funded projects.</p>
Management Response	<p>The City is in the process of creating procedures to ensure approval is obtained from LACMTA prior to implementing any Measure R-funded projects.</p>
Finding Corrected During the Audit	<p>LACMTA Program Manager granted retroactive approval of the said project on July 8, 2014. No additional follow up is required.</p>

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Fiscal Year Ended June 30, 2014
(Continued)

Finding 2014-06	City of Lomita
Compliance Reference	<p>Section B(II)(1) of the Measure R Local Return Program Guidelines states that "...LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan containing the following: 1. The estimated total cost for each project and/or program activity"</p> <p>To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year.</p>
Condition	<p>The City claimed expenditures for a new project for FY 2014, Eshelman PCH/Lomita Project, totaling \$290,444 with no prior approval from LACMTA.</p> <p>Although we found the expenditures to be eligible for Measure R funding, the said project had no prior approval from LACMTA.</p> <p>LACMTA Program Manager granted retroactive approval of the said project on December 10, 2014.</p>
Cause	<p>The City lacks adequate procedures to ensure that a Form One is submitted to obtain approval prior to implementation of a Measure R-funded project.</p>
Effect	<p>The City claimed expenditures totaling \$290,444 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>
Recommendation	<p>We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to implementing any Measure R-funded projects.</p>
Management Response	<p>The City will assure that procedures are adhered to in getting LACMTA prior approval for all major projects.</p>
Finding Corrected During the Audit	<p>LACMTA Program Manager granted retroactive approval of the said project on December 10, 2014. No additional follow up is required.</p>

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Fiscal Year Ended June 30, 2014
(Continued)

Finding 2014-07	City of Norwalk
Compliance Reference	<p>Section B(II)(1) of the Measure R Local Return Program Guidelines states that "...LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan containing the following: 1. The estimated total cost for each project and/or program activity"</p> <p>To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year.</p>
Condition	<p>The City claimed expenditures for a new project in FY 2014, Project 2.29, HSIP – Grant Writing Service, amounting to \$35,999 with no prior approval from LACMTA.</p> <p>Although we found the expenditures to be eligible for Measure R funding, the said expenditures were incurred prior to LACMTA's approval of the project on March 13, 2014. The expenditures were incurred in August 2013.</p>
Cause	<p>The City lacks adequate procedures to ensure that a Form One is submitted to obtain approval prior to implementation of a Measure R-funded project.</p>
Effect	<p>The City claimed expenditures totaling \$35,999 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>
Recommendation	<p>We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to implementing any Measure R-funded projects.</p>
Management Response	<p>The City has established preventive measures to mitigate unauthorized Measure R expenditures in the future.</p>

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Fiscal Year Ended June 30, 2014
(Continued)

Finding 2014-08	City of Signal Hill
Compliance Reference	Section B(II)(2) of the Measure R Local Return Program Guidelines states that "...Jurisdictions shall submit to LACMTA an Expenditure Report (Form Two), annually, by October 15 th (following the conclusion of the fiscal year)...."
Condition	The City submitted its Form Two on November 18, 2014, which is beyond the due date set under the Guidelines.
Cause	The City lacks adequate procedures and controls to ensure that Form Two is filed on time.
Effect	Form Two (Expenditure Report) was not submitted timely as required by the Guidelines.
Recommendation	We recommend for the City to establish procedures and controls to ensure that Form Two (Expenditure Report) is submitted by October 15 as required by the Guidelines.
Management Response	The employee in the position that completes and submits Form Two, had recently resigned to take other employment, and Form Two was submitted after the October 15 required by the Guidelines. The City has now established procedures and controls to ensure that Form Two is submitted yearly by October 15.

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Finding 2014-09	City of Temple City
Compliance Reference	<p>Section B(II)(1) of the Measure R Local Return Program Guidelines states that "...LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan containing the following: 1. The estimated total cost for each project and/or program activity"</p> <p>To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year.</p>
Condition	<p>The City claimed expenditures for the Rosemead Boulevard Improvement project totaling \$799,456 with no prior approval from LACMTA.</p> <p>Although, this project was previously approved in FY 2012 and FY 2013, the City was still required to submit Form One for FY 2014, carry over the budget, and have it approved prior to spending the money.</p> <p>LACMTA Program Manager granted retroactive approval of the said project on July 3, 2014.</p>
Cause	The City lacks adequate procedures to ensure that a Form One is submitted to obtain approval prior to implementation of a Measure R-funded project.
Effect	The City claimed expenditures totaling \$799,456 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 implementing any Measure R-funded projects.
Management Response	The City will obtain approval from LACMTA prior to implementing any Measure R funded projects as part of the annual budget process.
Finding Corrected During the Audit	LACMTA Program Manager granted retroactive approval of the said project on July 3, 2014. No additional follow up is required.

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Finding 2014-10	City of Temple City
Compliance Reference	Section B(II)(1) of the Measure R Local Return Program Guidelines states that "...Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year...."
Condition	The City submitted its Form One on July 3, 2014, which is beyond the due date set under the Guidelines.
Cause	The City lacks adequate procedures to ensure that Form One is filed on time.
Effect	Form One was not submitted timely as required by the Guidelines.
Recommendation	We recommend for the City to establish procedures and controls to ensure that Form One is submitted by August 1 as required by the Guidelines.
Management Response	The City will continue to calendar the due date and provide for two persons to remember in advance of the due date in order to prevent any oversight.



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