



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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2018



Simpson & Simpson, LLP
Certified Public Accountants

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Consolidated Audit Report**

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

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

Report on Compliance

We have audited the compliance of the forty-nine (49) Cities and the County of Los Angeles identified in Schedule 1, with the types of compliance requirements described in the Measure M Ordinance enacted through a Los Angeles County (the County) voter approved law in November 2016; Measure M Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (LACMTA), approved by its Board of Directors on June 22, 2017 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure M Local Return Funds, executed by LACMTA and the respective Cities and the County for the year ended June 30, 2018 (collectively, the Requirements). Compliance with the above noted Guidelines and Requirements by the Cities and the County are identified in the accompanying Summary of Compliance Findings, Schedule 1 and Schedule 2.

Management's Responsibility

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

Auditor's Responsibility

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

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



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Opinion

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and Requirements and which are described in the accompanying Summary of Measure M Audit Results (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2018-001 through #2018-005. Our opinion is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

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

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



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

Simpson & Simpson

Los Angeles, California
December 31, 2018

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

The audit of the 49 cities and the County identified in Schedule 1 have resulted in 5 findings. The table below shows a summary of the findings:

| Finding | # of Findings | Responsible Cities/ Finding Reference | Questioned Costs | Resolved During the Audit |
|--|----------------------|---|-------------------------|----------------------------------|
| Funds were expended for transportation purposes | 1 | Downey (#2018-002) | \$ 3,347 | \$ - |
| Funds were expended prior to LACMTA's approval | 2 | Hawaiian Gardens (#2018-003) Signal Hill (#2018-005) | 150,000 47,061 | 150,000 47,061 |
| Expenditure Plan (Form M-One) was not submitted timely | 2 | Avalon (#2018-001) Hawaiian Gardens (#2018-004) | None | None |
| | | | | |
| Total Findings and Questioned Costs | 5 | | \$ 200,408 | \$ 197,061 |

Details of the findings are in Schedule 2.

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

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

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

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

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

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

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

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

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

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

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

| Compliance Area Tested | Glendora | Hawaiian Gardens | Hermosa Beach |
|--|-----------------|-------------------------|----------------------|
| Funds were expended for transportation purposes | Compliant | Compliant | Not Applicable |
| Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall. | Compliant | Compliant | Not Applicable |
| Signed Assurances and Understandings on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | See Finding #2018-003 | Not Applicable |
| Expenditure Plan (Form M-One) was submitted timely. | Compliant | See Finding #2018-004 | Compliant |
| Expenditure Report (Form M-Two) was submitted timely. | Compliant | Compliant | Compliant |
| Timely use of funds | Compliant | Compliant | Compliant |
| Administrative expenditures are within the 20% cap. | Not Applicable | Not Applicable | Not Applicable |
| Fund exchanges were approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| Recreational transit form was submitted timely. | Not Applicable | Not Applicable | Not Applicable |

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

| Compliance Area Tested | Santa Clarita | Sierra Madre | Signal Hill |
|--|----------------|----------------|-----------------------|
| Funds were expended for transportation purposes | Not Applicable | Compliant | Compliant |
| Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall. | Not Applicable | Compliant | Compliant |
| Signed Assurances and Understandings on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Not Applicable | Compliant | See Finding #2018-005 |
| Expenditure Plan (Form M-One) was submitted timely. | Not Applicable | Compliant | Compliant |
| Expenditure Report (Form M-Two) was submitted timely. | Not Applicable | Compliant | Compliant |
| Timely use of funds | Compliant | Compliant | Compliant |
| Administrative expenditures are within the 20% cap. | Not Applicable | Not Applicable | Not Applicable |
| Fund exchanges were approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| Recreational transit form was submitted timely. | Not Applicable | Not Applicable | Not Applicable |

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

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

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

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

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

| | |
|--------------------------|--|
| Finding #2018-001 | City of Avalon |
| Compliance Reference | According to Measure M Local Return Guidelines, Section XXV Administrative: Reporting Requirements – Expenditure Plan (Form M-One), “To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdictions shall submit to Metro an Expenditure Plan (Form M-One), annually, by August 1 of each year.” |
| Condition | The City did not submit the Expenditure Plan (Form M-One) to LACMTA by August 1, 2017. The City submitted the Form M-One to LACMTA on October 4, 2018. |
| Cause | The City was unaware that the Form M-One was not submitted. |
| Effect | The City’s Form M-One was not submitted to LACMTA by August 1, 2017 as required by the Guidelines. |
| Recommendation | We recommend that the City establish internal control procedures to ensure that the Form M-One is properly prepared and submitted prior to the August 1st deadline, and that the City retain a confirmation of receipt by LACMTA to comply with the Guidelines. |
| Management’s Response | Management will submit the budget form by the due date going forward. |

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

| | |
|--------------------------|---|
| Finding #2018-002 | City of Downey |
| Compliance Reference | According to Measure M Local Return Guidelines, Section XXV, Administrative: Audit Requirements, “It is each Jurisdiction’s responsibility to maintain proper accounting records and documentation...” |
| Condition | To support the propriety of expenditures being charged to the Measure M Local Return Fund, non-payroll expenditures should be supported by properly executed contracts, invoices, and vouchers. Although a payment to the vendor, Smith Emery Laboratories, was allowable and was properly supported by an invoice and cancelled check, the expenditure was not supported by an existing contract or purchase order form that were charged to MMLRF’s Brookshire Avenue Pavement Rehabilitation Project Code 1.05 in the amount of \$3,347. The total payments made to the vendor during fiscal year 2017-18 was \$5,437. |
| Cause | The vendor, Smith Emery Laboratories, billed the City in one consolidated invoice relating to multiple services performed which caused the amount to exceed the threshold of \$3,000 that requires the issuance of a purchase order. |
| Effect | No contract or purchase order form to support the payment made to the vendor, Smith Emery Laboratories, indicates a weakness in the City’s internal control. |
| Recommendation | We recommend that the City establish controls to ensure that the costs charged to the Local Return Funds, although allowable, are adequately supported by contracts, purchase orders, invoices, canceled checks or similar documentation so that Local Return expenditures are in compliance with the Guidelines. |
| Management’s Response | The vendor, Smith Emery Laboratories performed materials testing and Quality Assurance (QA) testing for various projects throughout the City. Most invoices were under the amount required for a purchase order. However, in this case, Smith Emery Laboratories sent one consolidated invoice for materials and QA testing. The City is in the process of requesting bids in order to have PSA’s with a minimum of three (3) companies for QA and materials testing. |

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

| | |
|------------------------------------|--|
| Finding #2018-003 | City of Hawaiian Gardens |
| Compliance Reference | According to Measure M Local Return Guidelines, Section XXV, “New, amended, ongoing and carryover projects must file an Expenditure Plan Form M-One by August 1st. If Local Return Funds have been expended prior to Metro’s approval and/or used for ineligible purposes, Jurisdictions will be required to reimburse the Local Return account...” |
| Condition | The City incurred expenditures prior to receiving approval from LACMTA for MMLRF’s Project Code 1.05 Street Overlay for Pavement Management Plan in the amount of \$150,000. However, the project was subsequently approved on October 5, 2018. |
| Cause | Since it was the first year of the MMLRF award, the checklist used by the City staff did not have the appropriate deadlines. |
| Effect | The City did not comply with the Guidelines when expenditures for MMLRF project are incurred before LACMTA’s approval. |
| Recommendation | We recommend that the City establish procedures to ensure that it obtains approval from LACMTA prior to implementing any Measure M Local Return projects. Form M-One (Expenditure Plan) should be properly prepared and submitted before the due date of August 1st so that the City’s expenditures of Measure M Local Return Funds are in accordance with LACMTA’s approval and the Guidelines. |
| Management’s Response | The checklist being used by the staff to monitor and ensure compliance with the reporting deadlines of various LACMTA funds has been updated. |
| Finding Corrected During the Audit | LACMTA Program Manager granted retroactive approval of the said expenditures on October 5, 2018. No follow-up is required. |

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

| | |
|-------------------------------------|--|
| Finding #2018-004 | City of Hawaiian Gardens |
| Compliance Requirement | According to Measure M Local Return Guidelines, Section XXV Administrative: Reporting Requirements – Expenditure Plan (Form M-One), “To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdictions shall submit to Metro an Expenditure Plan (Form M-One), annually, by August 1 of each year.” |
| Condition | The City did not meet the August 1, 2017 deadline for submission of Form M-One. However, the City submitted the Form M-One on October 5, 2018. |
| Cause | Since it was the first year of the MMLRF award, the City staff overlooked at the filing of Form M-One. |
| Effect | The City’s Form M-One was not submitted timely. |
| Recommendation | We recommend that the City establish procedures to ensure that the Form M-One (Expenditure Plan) is properly prepared and submitted before the due date of August 1st so that the City’s expenditures of the Measure M 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 City is aware of the filing deadline for all MMLRF forms. |
| Findings Corrected During the Audit | The City subsequently submitted Form M-One on October 5, 2018. No follow-up is required. |

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

| | |
|-------------------------------------|--|
| Finding #2018-005 | City of Signal Hill |
| Compliance Requirement | According to Measure M Local Return Guidelines, Section XXV, “New, amended, ongoing and carryover projects must file an Expenditure Plan Form M-One by August 1st. If Local Return Funds have been expended prior to LACMTA’s approval and/or used for ineligible purposes, Jurisdictions will be required to reimburse the Local Return account...” |
| Condition | The City incurred \$47,061 for Street Repaired and Maintenance Project in fiscal year 2017-18 prior to any approval from LACMTA. |
| Cause | The City did not submit the accurate and complete Expenditure Plan (Form M-One) with a listing of projects to LACMTA due to an oversight. |
| Effect | The City’s Measure M funds were expended prior to LACMTA’s approval. |
| Recommendation | We recommend that the City establish internal control procedures to ensure all expenditures are approved by LACMTA prior to expending the funds by submitting a complete and accurate Expenditure Plan (Form M-One) to LACMTA. |
| Management’s Response | We did not submit corrected form on time with the updated information due to staff turnover. |
| Findings Corrected During the Audit | The City’s revised Form M-One was submitted and retroactively approved by LACMTA on December 17, 2018. No follow-up is required. |